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CONTENTS

INTER-AMERICAN AFFAIRS

SELA Views Impact of Crises on Regional Foreign Debt *[ACAN]* 1
Coffee Producers Agree To Hold Back More Coffee *[Madrid EFE]* 1
Andean Pact Telecommunications Improvements Outlined *[EL UNIVERSO (MUNDO ECONOMICO) 27 Jun]* 2

CARIBBEAN

Cuba

Castro Election Day News Conference *[Havana Radio, TV]* 5
Alarcon Discusses Election Turnout *[Havana TV]* 12
Lazo Address at Electoral Meeting 30 Jun *[Havana TV]* 14
Power Outages Coincide With Election Week *[Havana Radio]* 18
Election Crossroads: Colonization or Saving Cuba *[Havana Radio]* 19
Alarcon Broadcasts Message To Voters on Eve of Elections *[PRENSA LATINA]* 19
Foreign Minister Robaina Discusses Importance of Elections *[Havana TV]* 20
Morejon Comments on Elections, Upcoming Helms Bill Vote *[Havana Radio]* 20
Pedro Ross Comments on Labor's Role in Electoral Process *[Havana TV]* 21
Cuban Opposition Leader Evaluates Talks With Castro *[Madrid ABC 29 Jun]* 21
Castro Attends Meeting of Foreign Currency Enterprises *[Havana TV]* 22
Castro Attends Economic Meeting on Foreign Investment *[PRENSA LATINA]* 22
Julian Rizo Replaced by Central Committee Member *[Havana TV]* 23
Further on Replacement *[PRENSA LATINA]* 23
Politburo Replaces Las Tunas PCC First Secretary *[Havana Radio]* 23
PCC Replaces 2 First Secretaries *[PRENSA LATINA]* 24
GRANMA Cited on Party Replacements *[Havana Radio]* 24
Commentary Views Prospect of U.S. Partially Easing Blockade *[Havana Radio]* 24

Haiti

Aristide Opens International Conference on Democracy *[Port-au-Prince Radio]* 25
New National Republican Party Leader Named *[Port-au-Prince Radio]* 26
Election Irregularities Protested in Cap-Haitien 5 Jul *[Port-au-Prince Radio]* 26
Election-Related 'Fallout' in Saint-Marc Area Noted *[Port-au-Prince Radio]* 26
Prison Director Blames Riot on Lack of 'Justice' *[Port-au-Prince Radio]* 27
'Resurgence of Violence Noted': New Murder *[Port-au-Prince Radio]* 28
Gonaives: Protests Enter 'Different Phase' 6 Jul *[Port-au-Prince Radio]* 28
CEP Confirms Results To Be Published 8 Jul *[Port-au-Prince Radio]* 29
Former Deputy Accuses OAS Observers of Irregularites *[Port-au-Prince Radio]* 29

MEXICO

Zedillo Comments on National Crisis, Tours Aguascalientes *[Mexico City Radio]* 30
Zedillo Announces 9 Billion New Pesos for Education *[Mexico City Radio]* 30
Central Bank Reports 1995 Inflation Rate *[NOTIMEX]* 31

SOUTH AMERICA

Argentina

Reportage on President Menem's Inauguration 32
Text of Innauguration Speech *[Buenos Aires TV]* 32
Menem Swears in Cabinet Members, Others *[NOTICIAS ARGENTINAS]* 35

Brazil

Commentator Views Unsuitability of Sivam Project *[FOLHA DE SAO PAULO 29 Jun]* 35
Decree-Law Establishes Auto Import Quotas 36
Terms of Decree Defined *[GAZETA MERCANTIL 14-15 Jun]* 36
Decree Impact Uncertain *[GAZETA MERCANTIL 14-15 Jun]* 38
Expectations Regarding WTO *[GAZETA MERCANTIL 14-15 Jun]* 39
Text of Decree-Law *[GAZETA MERCANTIL 14-15 Jun]* 39
Deputies Rank Influence of Cabinet Members *[GAZETA MERCANTIL 6 Jun]* 43
First Indigenous Submarine in Final Tests *[O GLOBO 11 Jun]* 45

Colombia

Samper: Conditions Right To Broaden Talks With U.S. *[Santa Fe de Bogota Radio]* 46
Samper Confirms Surrender of Cali Cartel's Arizabaleta *[Santa Fe de Bogota Radio]* 47
Phanor Arizabaleta Makes Statement Upon Surrender *[Santa Fe de Bogota Radio]* 47
Botero: Focus on Cali Favors Other Cartels *[EL ESPECTADOR 25 Jun]* 48
Highlights of Previous Legislative Session *[SEMANA 20 Jun]* 49
Serrano's Performance as CNP Chief Praised *[EL ESPECTADOR 16 Jun]* 50
Commentator Assesses Social Pact *[EL ESPECTADOR 11 Jun]* 51
Central Bank Directors on Economic Issues *[EL TIEMPO 12 Jun]* 51
Measures To Address Economic Ills Suggested *[EL ESPECTADOR 11 Jun]* 53
Recent Action on Interest Rates Discussed *[SEMANA 27 Jun]* 54
Further Action To Lower Interest Rates *[EL TIEMPO 24 Jun]* 56
Reactions to Measures To Cut Interest Rates *[EL TIEMPO 24 Jun]* 57

Ecuador

Emetel Privatization Options Discussed *[EL UNIVERSO (MUNDO ECONOMICO) 27 Jun]* ... 57

Paraguay

Court Confirms Extradition of Lebanese to Argentina *[ABC COLOR 7 Jul]* 59

Peru

Fujimori 'Flatly Dismisses' Meeting Ecuador's Duran-Ballen *[Lima TV]* 59
'Main Liaison' in Colombian Drug Trafficking Captured *[Madrid EFE]* 60

SELA Views Impact of Crises on Regional Foreign Debt

PA0907041195 Panama City ACAN in Spanish 1620 GMT 8 Jul 95

[FBIS Translated Text] San Salvador, 8 Jul (ACAN-EFE) — According to the Latin American Economic System (SELA), the Latin American and Caribbean foreign debt has doubled over the last 14 years to $533.765 billion, a situation that is causing "uncertainty" especially following the crises in various countries of the region last December.

A SELA document to which ACAN-EFE gained access today, 8 July, states that the current foreign debt situation in Latin American and Caribbean countries "is extremely complex and unpredictable" because the effects of the Mexican crisis on the region's capital flow cannot be predicted."

As of December 1994, 75 percent of Latin America's foreign debt belonged to Brazil, Mexico, Argentina, and Venezuela.

According to the document, Mexico's current foreign debt is $136 billion, Brazil's is $151.5 billion, Argentina's is $75 billion, and Venezuela's is $38.8 billion.

Representatives from 27 countries have confirmed their attendance at the 21st meeting of SELA's Latin American Council from 10 to 13 July in San Salvador, where the region's foreign debt situation will be one of the main topics of discussion.

A document on the foreign debt, which will be discussed at the meeting, said there have been two alternating periods of expansion and recession recorded in Latin America since 1975, but 20 years later another period of recession has been initiated and will affect each country differently.

The document states that there has been a persistent increase in overall foreign debt despite the debt payments made, the bonds with which privatizations were paid for, and the "Brady Plan" discounts.

The Brady Plan discounts contemplate agreements by which creditor banks agree to reduce or refinance at lower interest rates the debts of developing nations as long as they adopt a macroeconomic adjustment program, which generally includes structural reforms.

According to the reports, the nominal value of the debt with commercial banks was reduced as a result of the "Brady Plan," but it has actually increased if foreign debt is measured by the market price of its bonds.

The report adds there has been a moderate increase in unguaranteed public and private debt since 1980, primarily due to the increasing importance of the bonds.

According to the SELA document, contrary to what happened during the 1980's, the latest capital flows come from private investors, including institutional agents, rather than commercial banks.

SELA states that Latin American countries adopted different policies in the face of capital flows, with such extremes as free flow (free entry and destination) and control of capital (imposes requirements according to the type of capital and defends the exchange rate).

SELA believes that in the face of an economic crisis, countries may adopt a "mixture" of solutions such as reinforcing market discipline, instituting a sort of "currency exchange fund," controlling short-term capital movements, and creating an international security network.

The report adds that the current circumstances in developed countries — moderate savings and a great need for investments — make it difficult for them to implement a significant long-term capital flow to Latin America.

"Short-term capital flows will depend on the continued exceptional profitability of several countries in the region compared to a lower profitability of developed countries and on overcoming the loss of confidence resulting from the Mexican crisis," the SELA document states.

The document adds that in 1995 there was a sharp drop in the flow of private capital for the entire region and a significant increase in capital of an official origin directed almost exclusively to Mexico and Argentina.

Coffee Producers Agree To Hold Back More Coffee

PA1007035595 Madrid EFE in Spanish 0105 GMT 10 Jul 95

[FBIS Translated Text] Santa Fe de Bogota, 9 Jul (EFE) — The Central American countries, Colombia, and Brazil, which are currently holding back 20 percent of their coffee (approximately 12 million sacks weighing 60 kg), will increase this amount to 15.8 million sacks in an attempt to improve international coffee prices.

This was initially agreed upon in Santa Fe de Bogota today, during the first day of the conference attended by representatives of these countries to outline a strategy to stop the maneuvers of speculators in the international market.

Gabriel Rosas Vega, former Colombian agriculture minister and president of the Colombian Association

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of Coffee Exporters, made the announcement, which, nevertheless, means there is still no agreement to totally halt sales abroad.

Jorge Cardenas Gutierrez, manager of the National Federation of Coffee Growers (FNC), said the talks will continue tomorrow to also try to reach an agreement on a minimum coffee price.

"The withholding regulations are established, and what we are going to do is set up a specific program with volume goals for the next few months so that we can further support the program to hold back sales," Cardenas Gutierrez said.

The producers want to extend their joint policy of restricting coffee sales until March 1996 to force the consumers to reduce the amount of coffee they hold and in this way obtain an increase in prices.

The delegates to the meeting in the Colombian capital have received the political support of the presidents of the two countries that produce most of the world's coffee: Colombia and Brazil. During a meeting in Buenos Aires, their presidents, Ernesto Samper and Fernando Henrique Cardoso, agreed to support measures to help organize the market, defend prices, and find formulas to deal with speculators. Samper announced this when he returned from Argentina, where he met with Cardoso during the inauguration of President Carlos Menem.

According to the initial agreements at the Santa Fe de Bogota meeting, the increase of the 20 percent reduction in coffee sales would be established through quotas based on the production of the countries.

The closed-door meeting at the FNC headquarters is being attended by coffee sector representatives and authorities from Costa Rica, Honduras, El Salvador, Nicaragua, Brazil, and the host country.

Andean Pact Telecommunications Improvements Outlined

95SM0416A Guayaquil EL UNIVERSO (MUNDO ECONOMICO) in Spanish 27 Jun 95 p 6

[FBIS Translated Text] Over the past few years the countries belonging to the Andean Pact have carried out modernization programs in the telecommunications area, although Ecuador is an exception to the rule.

With these improvements the coverage of telecommunications services has been expanded, as has the service provided to the people. These changes had not previously taken place and were obstacles to the social and economic development of those countries.

Venezuela: Improved Telephone Service

Venezuela had a regulatory agency, the Ministry of Telecommunications, and a state owned telephone company, CANTAV (National Telephone Company of Venezuela) which enjoyed a good reputation. In addition to basic telephone facilities it provided cellular telephone and data transmission services.

The Venezuelan Government decided to privatize CANTV and to permit competition in the provision of business services. To do this, it undertook a plan to sell 40 percent of the shares of CANTV stock and promised to turn over some of the shares in the company to company workers.

In November 1991 the process of sale of the 40 percent of CANTV shares of stock was completed. In October 1991 a new concession contract was signed, in which qualitative and quantitative objectives were set out for telephone services.

Previously, the government had established CONATEL (National Telecommunications Commission) and made it the new regulatory body. It also promulgated a new telecommunications law which, together with laws to stimulate competition and to protect the consumer, made it possible to open up investment in the telecommunications sector and provide protection to subscribers to the telephone service.

Among its functions CONATEL has the tasks of planning, controlling, and supervising telecommunications services; regulating service; supervising the implementation of its plans; and recommending the approval of authorizations and concessions. Furthermore, it has the authority to promote investment, administer the use of the electromagnetic spectrum, establish criteria for the rates charged for service, and act as the administrator of telecommunications with international organizations.

One of the subjects of greatest concern to this new body is to determine adequate rates of service for the development of the telephone industry and to promote private investment.

Peru: Change Was Accelerated

In Peru there were two large telephone companies: the Peruvian Telephone Company (CPT), which provided local services in Lima; and the National Tele mmunications Company (ENTEL), which provide ternational long distance services, as well as loc ices in other cities outside of Lima.

The CPT was almost a private company. Its s held shares of its stock and participated in its ma ement. At the same time it was free of the kind of g rnment supervision to which ENTEL was subject.

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The present government of Peru, in carrying out the changes which began to be implemented during its first term of office, issued a legislative decree under which the development of telecommunications was declared to be a matter of public necessity. It approved standards to regulate private investment, which permits it to provide service under conditions of broad and generalized competition.

The regulatory body is the Ministry of Transport and Communications. Its management capacity is less than that of the telephone companies. However, it has permitted the extension of cellular telephone services, which is handled by companies in competition with each other.

Subsequently, the Peruvian Government took rapid action to unify the two telephone companies, selling a single concession at the national level, together with 35 percent of the shares of stock of ENTEL and CPT. It achieved some really spectacular results, since it received $2.0 billion for the 35 percent of the shares of stock.

The Venezuelan Experience

The overall results which show the achievements of privatization may be summarized as follows:

The Venezuelan Case

Concept	Previous Situation	Now
Telephonic Digitalization	20%	52%
Telephonic Density	7.5/100 persons	11/100 persons
Public Telephones	31,500 units	55,000 units

Furthermore:

- Telephone service has been brought to more than 35,000 families located in 70 rural towns.
- The company is spending annually some 20 billion bolivares for the purchase of equipment on the domestic market, which is 10 times more than the value of purchases made prior to privatization.
- The company has assumed an economic burden of the state by transferring 20,000 active and 4,000 retired employees from the public to the private sector.
- The taxes paid by the company to the National Treasury have increased from $2.7 million in 1992 to $35 million in 1993 and $165.4 million between January 1994 and the end of the first quarter of 1995.
- Some 700,000 new customers have been added. One out of every three present customers has received telephone service for the first time during the past three years.
- The improvement in the quality of the service is seen in the range of new services provided: private, digital circuits via satellite; private networks; videoconferences; telephone conferences; and a public, commutated network for data transmission.

Colombia: Service Is Competitive

It is very interesting to analyze the Colombian case, since the telecommunications law was amended at the beginning of the previous administration. In it were included the most advanced principles of "competitive services." Nevertheless, a process of openness like that in Venezuela has not been achieved, as a result of which the present structure has special features.

Among these features are the following: the local telephone companies which offer telephone service are generally efficient and have been accepted by their customers. Their very structure makes them competitive and stimulates the provision of new services, often rather aggressively.

The regulatory body is the Ministry of Telecommunications and TELECOM, a Colombian company which principally provides national and international long distance services. Certainly, the company is profitable, which makes it possible to provide rural services. This very profitability makes the company the basis on which the objectives of privatization are determined.

Argentina: Some Competition

When Argentina privatized its obsolete, state-owned telephone company, it authorized its new concessionaires not only a monopoly on so-called local telephone service but also on national and international, long distance services. In the latter case the two companies licensed established a joint company called TELINTAR [International Telephone and Radio Company].

As the rates charged for international calls by the previous, state-owned company and the new company are several times higher than those in other countries of the world, little time was lost before a "call back" type of service began to be provided to Argentine customers.

As the "call back" service directly worked against the monopoly held by TELINTAR, this Argentine company challenged in the courts a resolution by the National

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Telecommunications Commission (CTN) which authorized "call back" service. Notwithstanding this lawsuit, the CTN issued a new resolution again authorizing these "call back" services. Since then competition has begun again.

What is clear is that now the competition over "call back" services is still in effect. Unfortunately, deregulation is still not total in the sense that more local companies providing international telecommunications service can exist, as has been the case in Chile since 1994.

Certainly, the Argentine telephone companies have something to complain about. Each time a customer phones his "call back" number and hangs up the phone to indicate that he wants to receive an international phone call, he is using the services of TELINTAR. This company pays the cost of an attempted but uncompleted phone call which does not take place. This is true. However, if the market were free, there would be no need for this kind of arrangement.

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Cuba

Castro Election Day News Conference

PA0907210095 Havana Radio and Television Networks in Spanish 1533 GMT 9 Jul 95

[News conference by Cuban President Fidel Castro with unidentified reporters at the District 266 polling place in Havana — live relay]

[FBIS Translated Text] [Reporter] Good morning.

[Castro] I can see you are making a tremendous noise.

[Reporter] I want to ask you some questions on behalf of Cuban Television.

[Castro] You are certainly anxious, young woman. [laughter heard in background]

[Reporter] The nomination of candidates was great; it was wholly supported by the people. Do you think that will also be the case on this occasion?

[Castro] You mean the previous one. Well, I asked about it. [Words indistinct] the assemblies and many people have told me that participation here in Havana was even greater, meaning the participation in assemblies.

[Reporter] For nomination.

[Castro] Yes, they were quite public, serious, with a lot of quality. A lot of work went into this. The people worked well. That is what I know. And today is election day. I had doubts about exerting myself and going to Santiago. I would have liked to go because I was a deputy there, but it turns out this was not legal. Therefore, I could not go.

[Reporter] You had to exercise your right to vote.

[Castro] I had to — here.

[Reporter] Do you know about the candidates' biographies?

[Castro] Yes. I read them carefully, and I also requested some refcrences. It was not an easy choice.

[Reporter] Commander, the struggle for sovereignty ...

[Castro, interrupting] There were only two, and there was no woman. Too bad. When there is a woman, I do not read the biography. I vote for her.

[Reporter] Why do you vote quickly for the woman?

[Castro] Almost on principle. To participate in the search for equality. I am quite aware of this.

[Reporter] Commander...

[Castro, interrupting] But there was no woman [words indistinct].

[Reporter] Commander, it has been said these elections will send a message to the United States. Do you agree? What can you tell us about this?

[Castro] Well, this has nothing to do with the United States. It seems the Helms-Burton Law and the barbaric things they did have helped achieve results in these elections — or at least I saw a lot of assemblies and conferences. I heard Alarcon speak many times. He knows this law by heart. He knows it better than I do, and debates have been extensively held on this topic to such an extreme that, one day I talked [words indistinct] Helms and those people actually helped the elections.

There must be a position of rejection, but we cannot forget we currently face a very difficult sitution. These have been difficult times. We cannot exactly specify how much good it did [words indistinct]. It is impossible so the [words indistinct] totally unpredictable. I do not dare make an estimate, but I certainly have confidence in the country, their level of awareness and [passage indistinct] combat against these elections, threats of new laws, the criminal policy being implemented against a whole nation. I believe those factors exercise influence but, until we see the results [words indistinct].

[Reporter] [Words indistinct] have voted.

[Reporter] Yes, commander. Right now 90 percent of the people in the polling place have cast their ballot — this polling place — and more than 70 percent in this district.

[Castro] Let us see what percentage [words indistinct].

[Reporter] No, Commander, I called the commission, but they are still receiving reports.

[Castro] [Words indistinct] electoral commission?

[Reporter] Ninety percent at the commision level.

[Castro] I am not included. I had not come. [chuckles]

[Reporter] We thought you would come earlier.

[Castro] No. I specifically [words indistinct]. Besides, I knew you were all here. I already told Susana: Susana, do not go early.

[Reporter] Yet we came early.

[Castro] No, you got here early. I got here around noon.

[Reporter] Commander, we have ended a half year in 1994 [as heard]. A half year ...

[Castro, interrupting] Do you own the media [words indistinct]. Go on, go on, go on. In the middle of ...

[Reporter, interrupting] No. The television — you know it is very aggressive, and this is live coverage.

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[Castro] Yes, you have brought the [words indistinct].

[Reporter] Commander, the young men you see there have been here since yesterday. They were at the Karl Marx Theater, and they came here. They have not slept.

[Castro] What young men?

[Reporter] The young men — all of them, all of them. The whole television crew.

[Castro] They could not sleep?

[Reporter] Well, they had to cover this. They were at the Caribbean Festival.

[Castro] Oh, well, they were doing something else. Do not blame the elections.

[Reporter] No, no way. Commander, I wanted to ask you a question: Six months into the year, what evaluation do you make from the country's economic viewpoint? What is your evaluation?

[Castro] Well, an economic evaluation.... [pauses] I would say that there is a much better spirit, and people are working in general. All the cadres are much more....[pauses] Obviously, the results are not noticeable, but a certain recovery is mentioned — within what is possible, because you must not forget that we are working in extremely difficult conditions, a serious shortage of resources [words indistinct] struggling from the subjective viewpoint, struggling better, making more demands; spirit is still high.

You must not forget it all happened suddenly, unexpectedly you might say. Relatively unexpected. For some time we expected these events, but entrance into the special period was too abrupt. People were groggy, like in a boxing match — one, two, three heavy blows — and that results in grogginess. [Words indistinct] more or less, but I can say the revolutionaries' spirit is higher; a great effort has been exerted. We still have some accumulated effects. For example, [passage indistinct] nevertheless an important activity, but it accumulated [words indistinct] more metals for the sugar mills and, subjectively, [words indistinct]. This lifted our morale and [words indistinct] next sugar harvest and the people's effort is evident, there have been other victims.

[Reporter] What about other sectors, commander?

[Castro] Things have improved in other sectors — some more or less. Nickel has improved a lot; oil is progressively improving. Great efforts are being exerted; all that takes time. We must drill and explore. There is an increase in the nonsugar industry this year [words indistinct] natural resources. Tomato production sustained a tremendous blow with 400 mm of rain in a few hours. It may have also affected the tobacco. It received a blow, but it improved. Remember there were heavy rains in Pinar del Rio. These are new phenomena that are taking place in nature, and this has its effects — but nevertheless things have noticeably improved. I do not know how the rice production fared in Sancti Spiritu. You should have seen those fields. They were flooded. Referring to the sugar harvest, I forgot to tell you this year we have managed to get some resources to finance the purchase of fertilizers, herbicides, spare parts, and metals.

[Reporter] This is for the next sugar harvest?

[Castro] For the next harvest. Let me tell you, the people are full of hope concerning a relative recovery in the pineapple sector. We are desperately committed.

[Reporter] Commander, much emphasis has been placed on allocating the resources where they can be most effective.

[Castro] I have wondered how much of total resources are allocated for fertilizers. [words indistinct] At present, I do not know how much of the total of 250,000 to 300,000 arrobas was used. This is 300 percent of what had been done. Some sugarcane was not getting phosphorous or potassium. [words indistinct] Much more can be weeded manually. Several initiatives are being applied. I have been told of sugarcane fields yielding between 10,000 and 15,000 arrobas and which, now with the rehabilitation, are yielding between 50,000 to 60,000 arrobas.

There are several initiatives — such as tilling the soil with animals, deep-soil tilling, and using some fuel for irrigation purposes — which are being implemented. Then we got the June rains. It rained and [words indistinct]. This was better. The month of June is dry here, not anywhere else. Not much rain has fallen in the eastern areas. Some rain did fall in the past few days. Even when the weather is unfavorable, human labor in the sugarcane fields is very important. You can ask Ramon, who is familiar with that [words indistinct].

[Reporter] A three-day meeting was held recently. Can we expect better and closer control of the enterprises that handle dollars due to the emergency economy?

[Castro] As you know, plenty of meetings are held. Those who were in that meeting were journalists [words indistinct]. A serious analysis in every sense was made. The lack of efficiency, saving as much as possible, and other points were discussed. One of them was the struggle against attempts at bribery, corruption, habits that are created gradually in some people. Attitudes that run contrary to the spirit and morals of the revolution. These things cause irritation. And then there is confusion. There is everything.

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Here are enterprises that are really foreign representatives' offices. There are several hundred representatives of foreign firms. The people think they are all the same. [words indistinct]. Some of these enterprises are managed by the state, and others are state-supervised. All of this is new.

I can say that in more than 30 years of trade with socialist countries there was not even a single case of bribery. Not a single one, in more than 30 years. We can attest to that.

Nevertheless, many of these phenomena start to emerge in contact with capitalism. Many people try to influence, bribe, or corrupt officials.

In addition, accounting and financial control was not much used. [words indistinct]. I can tell you that several comrades participated. I did not attend all of the meetings, which lasted three days. Nevertheless, yesterday afternoon, one of the important subjects was discussed in the afternoon of the day before yesterday. I read each of the reports presented by the ministers in charge of this area.

The Government Ministry's report is the subject mentioned earlier, corruption and all that. I had never seen such serious analyses and reports as those prepared by each of the ministers. The reports were brilliant, the reports of the National Bank, finance, economy. The commerce minister and the others, although new, are well trained. Their reports were very good. All of these subjects were discussed openly.

My impression of the meeting is that it was very good. It will naturally lead to some changes and improvements. This is a long battle, because there are thousands of people managing dollars around, including cashiers, managers. [words indistinct] They are all new to corruption. There have always been corrupt people. This has been a struggle. Management of dollars created a more difficult problem. There are new phenomena that are associated with all these measures we have taken. For instance, prostitution. But we are fighting these things. We cannot afford to say that we are not fighting. Repression and strong measures are not used, but there is unceasing activity and pressure on these things.

As for the economy, a tendency is seen in those who administer and have to do with all those things to be alert and work hard to exercise political and moral control. Not all those in those activities are stimulated. You have to stimulate people regarding, for instance, the use of electricity. This field has increased, despite the lack of sufficient resources as to availability and capacity of the plants. Workers [words indistinct]. It is as if they were receiving 50 pesos, more or less. We have to take into consideration that the peso's value has increased 300 percent. Last year, there was a time when the rate was more than 150 pesos to the dollar. The rate is now little more than 30 pesos.

Measures were taken very carefully. They were discussed once, twice, at the National Assembly. These measures have yielded results they have not yielded in any other country. These measures translate into practical, immediate results regarding production. Many people no longer want to work. The number of people who [words indistinct] has increased. The excess circulating currency had been hampering and discouraging work. Very positive occurrences are observed. There has also been much activity of people who start working as farmers one way or another and have started to receive the benefits of those measures. Many measures have been and continue to be taken in various areas.

The list of activities permitted for self-employment has been expanded. What we have to do is to be much more efficient in all branches of the work, in particular at home. Some branches of work are fundamental, such as economic associations and work with foreign investors. As you know, the state used to keep most of all [words indistinct] socialism.

[Reporter] Lage has laid great emphasis on the efficiency of state enterprises. We must struggle to make state enterprises the most efficient of the state enterprises.

[Castro] Undoubtedly, they require some more incentives. Many mixed enterprises are in trouble [words indistinct] clothing, footwear, and other things. [words indistinct] Nevertheless, there are certain state enterprises that have received some stimuli [words indistinct] oil and other activities. It is very important to give them some kind of incentive, whenever possible.

We do have to make some kind of difference, because we cannot help them all. That is impossible. Generally speaking, of course, when companies with foreign capital investment start out, they always do so with more resources. Some have their raw materials secured, or parts and components, and even working capital and fuel, and other such things that state enterprise does not usually have much control over.

State enterprise is usually struggling at a disadvantage with the others. Whenever we can do something that would seem to help, we do, but when it comes to patriotism and [word indistinct] we are not under the same conditions. All the same, we cannot give up the struggle, no matter what the conditions. Anything we can improve, we will improve. There are many, many

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people waiting, but we have to wait for time itself. We [words indistinct] and we do not want to seem overly optimistic.

[Reporter] Commander, in that context, what role do the ANPP delegates play?

[Castro] You know that. They are heroes, because when there were almost 4 million tons of cement here it was a lot easier. Now it is more difficult than when we had more resources. I admire the delegates of the ANPP of today. They have to face the people every day, and every day they must deal with the community's problems. There are many problems and in many areas, and we are well aware of this. The delegates are expected to solve all of them.

Here we should mention the Peoples' Councils. Now the delegates have at least the support of the councils. These councils I believe are a very important step forward, so we encourage them. The council is the united strength of a group of delegates and not just the delegate standing alone. The councils have become quite professional. Before it was just the delegates working in the community after they left their regular jobs. Surely you can imagine what it must have been like to try to see everyone's problems. That is why people burned out so quickly as delegates; it was a very difficult task.

Now the council presidents are professionals, and they can dedicate more time to the community. They can coordinate better as well. We have implemented a coordination system, and the delegate no longer has to travel so far from the municipalities. All of this is in conjunction with other factors, such as major factories and such.

[Reporter] Commander, returning to the issue of the elections. Many people in other places around the world — both friendly and not so friendly — criticize and demand that there should be more democracy in Cuba. What do you say to this?

[Castro] They are accustomed to another kind of democracy, more like the democracy of Athens. That was the democracy of the rich. How many millions do they spend on their campaigns? There are countries that spend billions on their campaigns. One candidate in the United States spent 200, 300, [numbers as heard] of his own money and the money he got from corporations.

To finance those campaigns, one must have plenty of money; it is the democracy of the wealthy, as a rule for those who have the means and the resources. How much did this campaign cost? The paper, the votes? Who has been chosen here to run for money? Who has been nominated here by a party? In our country, not even parties make nominations. In other words, there are no nominations by party, because parties do not nominate candidates. In all the other countries, the high-ranking leadership of parties usually makes the decisions. It is a (?useless) rule [words indistinct] with the masses to elect any candidate.

One has to see how the people are here. As Alarcon says, what happens here does not exist in any other country in the world. I believe it constitutes a great advantage to which we cannot and must never renounce. We cannot return to petty politics; we still remember the past: the streets full of advertisements, paper, and banners and all streets painted [words indistinct] had money could think about running for a post. Money was the determining factor, and there was horrendous corruption, which is no longer characteristic only of third world countries; it even reaches the most developed countries, where there are formulas to seek money for the parties. This does not occur here.

We do not spend a single penny. People make efforts by going to the Assembly and vehicles to move around [sentence as heard]. Money, without money there is no campaign. This is the democracy of the plutocracy...

[Reporter, interrupting] And in the capital...

[Castro, interrupting] ...and this is the democracy of a really poor country.

[Reporter] What role do you believe the capital plays at this time [words indistinct]...

[Castro, interrupting] Let us see it, let us see it now, let us see it. The capital has a great deal of merit. (?Laso) recalled this. In other occasions, we recalled the large [word indistinct] the capital has [words indistinct] the capital. However, there is more foreign influence in the capital than in the rest of the country. There is no doubt about it.

The forces were always more polarized here. We have also witnessed the phenomenon of uncontrolled migrations here in the capital, which keeps growing and growing. Houses are built, and the population doubles. In general, it is not those who are born here; it is people from anywhere. I am going to say that neither of the two candidates we have here was born in Havana; this is only one case. One was born abroad and is a nationalized citizen, and the other is from eastern Cuba.

If you go around, you will realize people from the provinces have crowded Havana, which is getting more crowded, thus complicating water supply, electricity, and housing. We have built tens and tens of thousands of houses, and half-empty houses are again full of [word indistinct]. There has been no control; we have to really think about controlling migration in Havana. We cannot

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allow the situation to worsen; we cannot build more houses for the people who are arriving.

The population does not understand this problem. Those who came are already here, and I am one of them. I am from eastern Cuba too, and I came here. For whatever reason, most Havana residents are not from Havana [words indistinct] many of them are the children or grandchildren of those who came here from the countryside years ago.

This phenomenon really worsens the situation in Havana, and regardless of how many efforts we make in Havana, situations like this worsen the problem. We have scant resources to keep up buildings; we are doing miracles and trying to see if we can repair and construct.

Today, we are facing the eternal dilemma, we must repair and build when the cases are critical, and at the same time, if we do not invest in repairs, the other cases will become critical. We must share the [word indistinct] resources with buildings that can be restored, while others cannot be restored, in which case we are forced to build [words indistinct] special effort with regard to housing, in order to build a number of houses in Havana. We have made [word indistinct] efforts.

It is unfair, however, for the country to be making great efforts while people move to the capital without any order. When they arrive here, they face all kinds of problems and even change their mentality [words indistinct] Havana people refused to do construction work, and it was necessary to bring in people from Oriente, Villa Clara, who then remained here. Not too long ago we even had to bring nurses to work in the capital...

[Reporter, interrupting] Policemen...

[Castro, interrupting] Policemen, no one wants to be a policeman in the capital. There are more serious problems here. On the other hand, there are people who want to be delegates, although they receive no salary for this, no matter how hard they work.

[Reporter] Commander, going back to financial matters. There seems to be the idea that we are near or have almost completed the first phase of the country's financial adjustments. How are we going to handle the second phase, during which the average family or person who earns a salary will feel the pressure of the financial adjustments? These new sectors that have been created, these new opportunities, such as the self-employed worker, farmers' free markets, to a certain extent capitalize part of the money, or a significant part of it...

[Castro, interrupting] Look, people really want the farmers' free markets...

[Reporter, interrupting] Yes, but [words indistinct]

[Castro] Otherwise people would not [words indistinct] but anyway, people used to have plenty money, but now they have less money. Now people are beginning to feel that they are short of money. As for the earnings, there is a minority that earns a lot, they earn plenty money. Some through self-employment and others through the farmers' free markets. There is an unequal distribution, a [word indistinct] difference.

The situation is worse now that the price of the dollar is down. Some people are buying dollars to satisfy many needs they cannot satisfy with the peso. Logically, this creates different social levels, in some cases very significant.

Well, this is one of the results of self-employment. Some are selling their products at very high prices [words indistinct] competition among them.

[Several reporters speaking at once] [Questions indistinct]

[Castro] [Words indistinct] raw material. We know how to get textiles. If you have fuel, cotton, and raw material, you have everything you need. We know how to make shoes. You will need hides and other raw material necessary to make shoes. Some people even take the hide from a dead animal and process it at their own farm or enterprise. We used to have more discipline in this before. Now things are more difficult. In the past there was more food for the cattle, and everything was more centralized for the use of raw material. You could bring some hides if you had the resources.

In other words, we know very well how to do these things. The state knows this [words indistinct] raw material [word indistinct] greater effort in the industrial markets in which the state participates. Perhaps it should participate even more. As we seek resources [words indistinct] industry too. The [word indistinct] industry plays a very important role, and since it has resources, it works very well.

It would be good if the state could collect some of this excess currency, because the state must pay for everthing. It must pay for the education, health, social security, defense, domestic order, projects, solutions for the cities, and sanitary problems. The state must pay everything, and therefore needs resources.

[Reporter] [Words indistinct]

[Castro] That was necessary. How was the rest done? Organizing progressive collection is difficult at the be-

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ginning. Quantities were established, but [words indistinct] flexibility. For example, two coachmen [words indistinct] earned 4,000 [currency not specified] he had several people working with him, one had to cut the grass, another one groomed the horse, another one took care of the carriage. Nevertheless, [words indistinct] ridiculous sum of 30 or 40 pesos. The law, the resolution authorized the municipality, the people's government, to allow that fixed rate. The first thing that was done was to remove the fixed rate. Independence, because all jobs are not the same. Of course, some earn more money than others.

[Reporter] What do expect to see at the meeting of Nonaligned Countries, Commander?

[Castro] I have had hardly any time to think about that.

[Reporter] Are the Venezuelans giving us everything we had expected?

[Castro] We hope the Venezuelans, as well as the Colombians, are successful in their endeavors there. There are many people awakening to reality. Do you remember what they said after the changes in the Socialist countries? The sky is falling! We were all headed for a consumer market. What has happened? What is happening? Nothing was published [words indistinct]

[Reporter] [Question indistinct]

[Castro] They said we would not have enough paper for our newspapers. Then they go back [words indistinct] an organized and orderly country, which is what many visitors saw. Then, of course, all kinds of people started coming: serious capitalists and others who are not so serious. Adventurers and people out to make a quick buck also came. The [words indistinct] would describe the whole procedure [words indistinct].

You see, when someone wants to come here and set up shop, you need to know who it is and how solvent this person is. You have to have the support of the international banks to find out about each prospective financial situation and [words indistinct]. There are even those who try to forge their way in, because the enemy is also sending people here. There are others who come to make us waste our time, to try to fool us, and even try to harm us.

You have to realize that we are fighting a battle that no other country has ever fought before. No countries are blocked off like we are. [words indistinct] and there are countries that are limited, but have other resources that we do not. We have energy needs, for example. We have to spend almost everything we have on energy. So we are always lacking electricity or some kind of medicine. We all live in real anguish. Administrating resources is a government responsibility, but it is truly stressful and difficult. We have to make an extra effort to do all this because of the blockade. Without the blockade we would progress incomparably faster.

They are all over the place. U.S. representatives are trying to obstruct and dissuade people from coming to invest. These barbarians do not even mention the law, by which the blockade would remain in place even if the revolution is destroyed, unless they get $100 billion. They have threatened everyone. What used to belong to the bourgeoisie now belongs to the people and will continue to belong to the people.

[Reporter] Could one call this election an improvement in our democracy, when compared to the last election?

[Castro] I would say it is an improvement. We do things better, and the process is taken more seriously. These difficult times might be another reason the people are concerned about the election. Organizations such as the CDRs [Committee for the Defense of the Revolution] have also worked on this. They have done an excellent job. Many people at the ANPP have worked hard. Hard times make people reflect, particularly the better people. Many of these better people are included, but there is always a certain degree of wear; there has to be some degree of wear and tear associated with this kind of work. Nevertheless, there is a significant number of good people participating. [words indistinct]

[Reporter] [Question indistinct]

[Castro] We want the very best people as candidates. However, there are many good people who cannot be elected, because of their job. I know many cases of people who have said they cannot participate. Their sense of responsibility made it impossible. Nevertheless, I feel we have a very good selection of candidates.

[Reporter] Commander, at the beginning of the special period, you spoke about persistence. Now, four or five years after having presented that...

[Castro, interrupting] I trusted we would be capable of enduring. We were the only ones to do so among so many capitalist and socialist countries facing a crisis. The revolution itself never suffered a crisis. It struggled and fought and faced much worse conditions, because the U.S. destabilization policy is very extensive. The United States promoted the situation that led up to the 5 August [1994] incidents with all [words indistinct]. Now, 5 August was not a bad day for Cuba. It was a great revolutionary victory, as we were able to restore order in such a short time, without using weapons, without using any weapons [repeats himself], and without any deaths or wounded — except those the

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masses inflicted among themselves. You see, 5 August was a great victory for the revolution. As I said then: How can there ever be another 5 August? There is no need for another 5 August. That happens every time the counterrevolutionary forces seek to disrupt the revolution, playing the imperialists' game and following imperialist watchwords.

The other thing should be done progressively. [words indistinct] and logically, we must see how this evolves. The fairest thing would definitely be to impose a progressive tax.

[Reporter] [words indistinct], would this lead to overproduction?

[Castro] We must keep in mind that the state does not only need to collect (?taxes); it has a budget to meet. This is not only about reducing liquidity.

I have heard there is very firm discipline regarding salaries [word indistinct] because there is no point in collecting (?taxes) and reducing prices [words indistinct], because there are thousands of people [word indistinct] in the previous situation. I believe people are currently more educated about economic matters and [words indistinct] avoiding as much as possible throwing money into circulation. The efforts we are undertaking are considerable. We cannot throw our achievements overboard, that is, [words indistinct]....

[Reporter, interrupting] [words indistinct]

[Castro] In the first months, people spent more than 20 million pesos [words indistinct] and at present, they spend 8 million. There you have a clear example of the free market. [words indistinct] the state invests the resources it collects in the needs of the people [words indistinct]. We must face the problem of having a group of people that has so much money that they do not know what to do with it.

[Reporter, interrupting] [words indistinct] unemployment?

[Castro] That is just another problem [words indistinct] conditions. We must rationalize and seek efficiency [word indistinct] jobs. Some people will have to work as inspectors [words indistinct] self-employed. The audits are necessary, and so are all sorts of inspections by the Labor Ministry and the Foreign Trade Ministry, which must oversee [words indistinct]. The Finance Ministry must perform audits; therefore, it always needs well-trained people, people who are qualified to work. [words indistinct]. We cannot fail....

[Reporter, interrupting] [words indistinct] of the controls.

[Castro] [words indistinct]. Currently, computers [words indistinct]. It is difficult to find people because every inspector [words indistinct] whether or not people pay and the collection of taxes. [words indistinct] Concerning housing [words indistinct], the regulations on the transfer of real estate ownership [words indistinct] whether people have purchased legally or people [words indistinct]. Among other things, Havana has become a large hotel because there are people who rent a room or an apartment; others move elsewhere. [words indistinct] the revolution has enabled people to acquire their own homes [words indistinct] resources. Under these conditions, 85 percent of the people own their homes, and this you cannot find anywhere else.

[Reporter] Concerning jobs, [words indistinct].

[Castro] We should not mix up [words indistinct]. If we had an immediate solution, we would have implemented it already. For instance, we need people in the area of agriculture, and we also need people for many other activities. However, the excess cash, (?the squandering), and other factors have affected this situation. At this point, we must assess the scope of self-employment. [words indistinct] has to do with the area of agriculture, which is not easy at all, because those people who leave the countryside for the city can hardly [words indistinct] to grow food for the capital. [words indistinct]

Lazo's speech the other day was quite accurate and excellent — I listened to it with much admiration — as well as the statement by Alarcon, when he remarked that we must wage the battle until we reach the [word indistinct] in the talks and conferences (?that are held here] for people to become aware of the nature of the problems we face. Moreover, it is our responsibility to raise and maintain high morale. This a difficult task because as we all know, material circumstances exert a tremendous influence on people's consciousness. [words indistinct] and all the others are experiencing an implacable crisis.

[Reporter] [Words indistinct]

[Castro] Consumer societies are not the solution. Political chicanery is not the solution. The capitalist democracy is not the solution. We can adopt some economic measures, but they should not lead us astray from what we have said.

Today imperialism's main efforts are aimed at destabilizing the country from within. It is its number one strategy. We must be prepared for that today, without the economic means and with new things. There are still dumb people. There are dumb people, and some are really dumb, because they do not realize the strategy and tactics that imperialism is using against our country. It

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is trying to infiltrate us by all means. It has many names now.

Some want to destroy us one way, while others prefer another way. The essence of their strategy, however, is promoting destabilization from within. They have studied their ideas and plans very well. We must also prepare the country well to face the methods used by imperialism in its attempt to destabilize us. Imperialism has not given up its plans [words indistinct] has seen the bone is hard to chew in all aspects. It has seen the country would have resisted [words indistinct] people grow [words indistinct] capacity, confidence in him, and aware that everything is at stake here: independence, sovereignty, right to life, the survival of our people.

We live in a country where there are no death squads, where people are not murdered or tortured. I tell them: Ask the people, talk to the people, ask them if they know of any case of murder or missing people. Ours is the only country in this hemisphere where that phenomenon does not exist. Still, we are accused of violating human rights. Here, we do not have this phenomenon, which occurs in other countries. Today we see that there are thousands, tens of thousands of missing people. In just Guatemala, there are more than 100,000 missing people. Ever since another Giron [referring to the Bay of Pigs] was applied to Arbenz, there have been more than 100,000 cases.

There is also the category of the so-called political or (?official) prisoner. They are called political prisoners. You cannot call political prisoners people who were at the service of imperialism, who acted in defense of their homeland, as people did in Playa Giron. They have paid mercenaries here...

[Reporter, interrupting] Commander, aside from the elections and the day by day economic struggle in July, we will have another important date, which is 26 July. I understand that a group of attackers [of the Moncada barracks], a few days before leaving Santiago, met in Cacahual, in front of Maceo's tomb, where they made a commitment or oath.

[Castro, interrupting] Well, [words indistinct]. I have not been in Cacahual [words indistinct] have been here and there. I carry the oath inside, and I made it before all the altars of the fatherland. Our comrades who made this beautiful gesture [words indistinct] because what they did reflected nothing. Yes, I understand... [pauses] I did not participate.

[Reporter] Do you know who was there?

[Castro] Well, so much has been published, that I cannot say. You probably know more than I do. Your smile is incredibly mischievous.

[Reporter] No, I heard that someone said he had been there, but had not yet complied with his promise.

[Castro] Well, forget it, the others complied.

[Reporter] Commander, speaking about 26 July, what do you think about the response from Guantanamo, a hard hit province, that has been awarded the seat of the celebrations?

[Castro] The situation in Guantanamo was quite difficult two or three years ago, even politically. They had problems with their crops, agricultural supplies, and such. Now things have improved significantly, despite the battering they have taken. They have recovered from three natural disasters and worked their way back. They really deserve to be chosen as the seat of the 26 July ceremonies.

Things are going to get worse. People are saying they are going to work harder for the 26 July celebrations. We shall see. We think things will be harder. Our efforts are measured by indicators and such. Guantanamo's indicators are good. I believe its greatest achievement was its ability to respond, its strength, and its working spirit in the face of the calamities it endured. They deserve it. It is well earned. It is a very hot place, just like Santiago de Cuba, so get ready for the heat.

[Reporter] Right here, sir. We are dripping with the heat.

[Castro] It is as if we were in a shower. Well, I thank you, really.

[Reporter] Have we made any more progress on the cure for AIDS?

[Castro] Many are close to a vaccine for AIDS. We have made progress.

[Reporter] We have made significant progress, have we not?

[Castro] Yes, we have made some progress. But there are many research centers all over the world. I hope someone finds something quickly, even if it is not us [words indistinct].

[Reporter] Thank you, Commander.

Alarcon Discusses Election Turnout

PA1007034395 Havana Tele Rebelde and Cuba Vision Networks 0125 GMT 10 Jul 95

[Interview with Ricardo Alarcon, president of the Cuban National Assembly of the People's Government, by reporter Maribel Acosta at the Cuban National Electoral

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Commission in Havana; from the "NTV" newscast — live relay]

[FBIS Translated Text] [Acosta] At this time, after the closure of all polling stations, we are still receiving information regarding the day's events in various regions across the country. The people's massive response at the polls is evident here at the Cuban National Electoral Commission. We will now talk with Ricardo Alarcon, president of the National Assembly of the People's Government [ANPP]. How would you evaluate this election process, based on your expectations and in light of the results we have seen up to now?

[Alarcon] Everything seems to indicate that we have had the massive response of an enormous majority of the voters. In that context, we have fully met our expectations, and we may even have surpassed them. In addition to that, I should point out something that we Cubans find quite natural. Nevertheless, if we think about what has happened here in Cuba, we will see several things that are surprising, inexplicable, and unimaginable in many places around the world. We have held an election under the protection of the [word indistinct], at polling stations where the majority of the authorities were women. We have held an election that concluded successfully with the participation of almost all registered voters.

It is very easy to register to vote. It is almost an automatic process. Those who were unable to register before were allowed to register today at the Electoral Commissions. Now, following this broad participation by practically everyone, begins the vote-counting process, [words indistinct], which is open to all, everywhere across the country. Anyone can participate. We have a clear example right here in Havana [words indistinct], where it is like a theater full of people there to see this event.

In other countries, the first electoral result you hear is the number of dead and wounded during the riots that the election process engenders. That is the first figure that appears on the international news agency reports, before they report how many people voted and who was elected and who was not.

In our case we have seen a universal expression of civil responsibility and freedom all across the country. There has been order, tranquility, and the normal, peaceful, and legitimate expression of each individual's opinion. I am sure that the results will give us a lesson that each delegate that is elected today — as there will be some who will have to face a runoff election next Sunday — will have a clear popular mandate and broad popular support, first those elected today, and then those who win the runoff.

[Acosta] This ends one phase. The election of these delegates concludes one phase, but another more complex phase begins now. This mandate implies a complex mission to be accomplished, given that it must implement [word indistinct] the country's economic changes. What does the near future hold for them?

[Alarcon] We need to look at this election as a part of the continuing development process of our popular revolutionary democratic system. The election itself is not an isolated event, as it is in other places. The process began when we convened the nomination assemblies. The people began to elect when they proposed and selected those who would become their candidates. They voted again when they chose the delegate from the candidates they proposed before. In some ca they will vote again next Sunday in a runoff election in those precincts that did not decide today. Once that is done, we immediately begin the next phase. We immediately move on to the conformation of the new People's Councils with the newly elected delegates. Then comes the People's Government Municipal Assembly with their newly elected delegates.

In other words, we must look at today's elections as something that did not begin or end today. This is why we have stressed the significance of massive and enthusiastic participation by the Cuban people before and during the elections. We must strengthen the system of the people's government and improve conditions for us to be able to face the [word indistinct] difficulties within the prevalent objective limitations, but developing our capacity to eliminate deficiencies in order to resolve problems that depend on subjective factors — all those things that depend on us rather than material limitations.

There is much to be done. What we are able to achieve will depend on the level of organization and collective action — people's participation.

The first step was choosing representatives, selecting the best ones. The following step was the [word indistinct] process, which continued with the establishment of the people's councils and the municipal assemblies and what I would describe as a (?relaunching) of the people's government in the coming months. [Words indistinct] of the popular support during the elections, as well as the phase of the nominations proved beneficial to strengthen, increase, and enhance the real participation of our people in the government, and as a result, make it more effective.

Make people's participation more effective [words indistinct] in the sense of seeking and finding logical recipes to resolve the problems that are conditioned by the objective reality or whose solution depends on the

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collective action and effective coordination of the rank and file of all the organizations, institutions, and all the factors [words indistinct] from the grassroots level.

The first step is that these comrades who assume the responsibility [words indistinct] begin to take the first steps along this path with greater approval and support from the people. I believe we have achieved this tonight.

[Acosta] I want to use this opportunity to ask you the following: We know that one of the most popular arguments made to promote participation in this election was precisely the vote of unity against the Helms-Burton bill. It has been announced that the U.S. Congress will vote on this bill on Tuesday. What is your view? How will the political forces react? What results could it bring about?

[Alarcon] [Words indistinct] when it is antidemocratic [word indistinct] with all the resources it spends and its costly rhetoric to prove the opposite, one cannot be certain about what will happen. The only thing I know is that this is the sixth time this commission has been scheduled to vote on the bill. The vote may finally take place on Tuesday or it may not. It would not come as a surprise if the vote were postponed again. I believe this is all happening because some people are becoming wary of this bill.

It is not difficult for people to realize that this bill is an illegal brainchild, which would only cause major problems for the United States in its international relations, since it completely violates legal norms and hinders U.S. commercial obligations.

Moreover, this bill would obviously meet, meets, and will meet the rejection [words indistinct] of our people. As though this were not enough, analysts agree that this bill is also harmful to many people in the United States.

It only benefits a minority group that unfortunately today has great influence in the U.S. Congress, a group that has really paleolithic political concepts. It has nothing to do with the ideas of the modern world, but Mr. Helms presents it as a model, a symbol of the United States. It is an anachronistic concept in every respect [word indistinct] including international policy (?toward) Cuba. It also reflects a very small sector that only represents insignificant groups of former embezzlers, exploiters, and what is worse, former members of the Batista tyranny.

Today, some of their descendents in Miami, in a clear alliance and in their latest liaison with Helms and company, introduced a notion of U.S. law and ideas that will always be strongly rejected by Cubans. They are in fact proposing the old annexationist dream: liquidating our country and our nationality and making the U.S. absorb us, and of course, restore the privileges and benefits they enjoyed until 1 January 1959, during the worst days in Cuban history. This is something that... [pauses] you have to be very silly not to see that this would lead the situation between Cuba and the United States to a point of no solution, if the United States employs that ultrareactionary vision in its policy toward our country.

Of course, all those ideas are doomed to fail. They will fail, regardless of what happens Tuesday, Thursday, or Friday. Until now, that policy has not won the conscience of the world. Thus far, they have not managed to get any other country in the world to endorse that policy of blockade against Cuba. There is only one country isolated in its attempt to isolate us.

It is, however, a powerful country, a rich and [word indistinct] country that, in addition, is located 90 miles from Cuba.

Just as it has failed until now, I am sure that, no matter what happens Tuesday or later on, that policy will be always doomed to fail.

[Acosta] Thank you very much. It is obvious that our people have a clear understanding of everything that is happening, and their presence today at the polls corroborates this.

Lazo Address at Electoral Meeting 30 Jun

FL0807002095 Havana Tele Rebelde Network in Spanish 0200 GMT 1 Jul 95

[Address by Esteban Lazo, Politburo member and Cuban Communist Party (PCC) first secretary in Havana City Province, to participants in a meeting on the electoral process in Havana City on 30 June; from the "This Very Day" program —recorded]

[FBIS Translated Text] The enemy's threats — that is, the bill and their efforts to intensify the blockade — clearly lift our people's patriotic and revolutionary spirit. The fact that there may be some softies, opportunists, and annexationists among us does not matter, although I am sure that we have some among us. The fact that the people of the capital are responding in this way clearly demonstrates an elevated patriotic and revolutionary sense, especially considering the difficult and complex situation in which we find ourselves. [applause]

As Comrade Alarcon explained, we are clearly living through a complex and difficult time. I saw how happy the winning municipalities were during the emulation inspection, due to their electoral commissions' excellent efforts. I heard music, laughter, and slogans. I described this happy meeting as a celebration of what had been

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accomplished, an expression of the reflection that should be made on the times in which we live, and a testimony to the importance of the fatherland's 9 July elections during these difficult times and as part of this political battle.

We are living through a very special political time. In light of the enemy's threats, propaganda campaigns against the Revolution, measures to intensify the blockade, and efforts to isolate and suffocate us in an attempt to force our people to surrender, it is more important than ever to demonstrate to the enemy our people's unity and solidarity with the Revolution and our commander in chief. [applause]

That is why it is so important in a political battle like this — a battle which clearly must be an extraordinary triumph for our people — that we stress that it is not only a matter of electing a delegate — which, by itself, is very important — but also an expression of support for our political and democratic system. It is an expression of how our people directly elect their delegates. It is also important to demonstrate strength, unity, and courage.

That is the essence of what some comrades were saying. It is not simply about holding a meeting or an assembly. It is about politically persuading every one of the revolutionaries of the importance of these elections, about what it means to go and vote and to vote well. It is not just about the campaigns from abroad or about the radio broadcasts from abroad calling for the Cuban people to boycott the elections...[pauses to chuckle] or all the other stupid things that they say.

Of course, there are always some lunatics who listen to what is said. We must remember that internally there are some softies, opportunists, and annexationists who also try to influence the people. That is why the work of all factions involved is so important, the work of each one of the organizations, the work that must be carried out in each one of the communities.

We must express our appreciation to our people for the quality of the delegates elected. In many districts where other comrades had already been nominated, where several delegates and comrades of the peoples councils had not been renominated, those comrades are hard at work guaranteeing a good process in that district. [applause]

That is an expression of our people's courage, of the quality of our people. With the same sense and feeling they will work to support and boost the next elections, on 9 and 16 July.

Furthermore, this process demonstrated our people's level of preparedness and political awareness. We are very impressed with the quality of the nominations. The majority of comrades [words indistinct] in the midst of the current difficulties through the effort and courage of the representative in the districts. Another important fact: Although the party did not nominate or campaign for anyone, more than 80 percent of the nominees are PCC or Union of Young Communists members. [applause]

Therefore, this process is now in the hands of the electoral councils, the candidacy commissions, and each one of the factions at the people's council, municipal, and provincial levels. They will ensure that the conditions and organization needed to allow our people's awareness to be expressed through their right to vote on 9 an 16 July are guaranteed. It is not about [words indistinct] but about explaining.

That is why we said that the party's grassroot organizations play a vital role. Party members in their neighborhood...[changes thought] It is not only about voting but also about quality in each one of the districts [words indistinct] all persuasive efforts must be one-on-one. We must talk to everyone. If someone says that he will not vote for X or Y reason, then you must say in response: I will vote, for the fatherland is in danger and we cannot wait. That person will then go and vote. We must talk to everyone, regardless of their beliefs. We must go to their homes and explain the importance of quality voting and the importance, from the political standpoint, of the results of these elections [words indistinct] was saying that they are prepared. It is summer. The most sacred thing that any revolutionary can do on 9 July is vote. As you know, in the summer we sometimes go to the beach in the morning and then go vote in the afternoon. The important thing is that we vote. Party members, Committees for the Defense of the Revolution [CDR], federation members, the National Assembly of the People's Government, and Union of Young Communists members must carry out these efforts.

I repeat: The most important thing that we can do in the community is achieve the results we want. Moreover, we must remain vigilant throughout the entire process — the vigilance of the CDR, the vigilance of all revolutionaries — to prevent enemies or lunatics from trying to disturb the elections. They must be able to experience the immediate and forceful response of revolutionaries everywhere. These elections can turn out good with everyone's help and with the one-on-one visits.

Militarily speaking, we must watch the enemy. We must determine the situation in each one of the district. (?We must take out our papers) [words indistinct] and in that capacity we must take the necessary measures. This

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is in relation to the elections and what we want to accomplish.

There are comrades here...[pauses] Conrado gave a brief report about the steps that have been taken to solve different problems. It is important for us here, in the capital, to reflect upon the feelings of the people in the capital toward the measures that have been taken.

It is [words indistinct] that sometimes in the midst of the difficulties that we face and the limited resources that we have — and all of you already know the reasons — and the things we lack, some people sometimes lose sight of the situation and do not understand the extraordinary effort — I highlight the words extraordinary effort — that the Revolution and the government have made for the capital. It is very important that these things be mentioned and that they be known. Everyone talks about what is needed without acknowledging how much is being done with the little that the country has. I would say that if we are talking about a desire to do things, we should mention the recent decision to solve the capital's housing problems. I might add that we sometimes go beyond real possibilities.

We must consider this in the midst of the limitations that we face. This also requires a response on our part. This also requires a response from those of us who work in the capital. We must offer our support, in light of all of the revolutionary leadership's efforts. We cannot initiate these projects without support. We cannot do the work if we lack the work force or, as Comrade Conrado explained, just because someone does not want to work in the construction sector. We must offer this response. We must be in a condition to offer the needed response.

Furthermore, we cannot, in the midst of the limitations that we face and the efforts that are being made to alleviate determined situations, advance unless we impose order and discipline in each place. [applause]

We can all see the collapses [derrumbes] in Centro Habana and in La Habana Vieja today. All we need to do is look at the capital and then look at Alamar. How many houses have been built in Alamar, San Agustin, Boyeros, Alta Habana, or in other areas of the city? Nevertheless, we have a critical situation. We are talking about houses in Centro Habana and La Habana Vieja that are more than 72 years old.

How many people have moved into that area [words indistinct] of the situation in those municipalities? The people must consider these things. Everyone always notices the collapsed building [words indistinct] but, on the other hand, how many settlers [ilegales] do we have in those areas? Many? [crowd answers: Yes!]

I am talking about this province, not the rest of the country. We say that there are many, but how many of us have allowed this to continue? We sometimes defend those who face eviction, because of the elevated sense of compassion that the Revolution has taught us. Am I right? [crowd answers: Yes!]

Can we implement a serious plan to alleviate the situation with such disorder and lack of discipline? [crowd answers: No!]

This is such a delicate situation. As a matter of fact, a campaign to evict people from condemned buildings is about to get underway. The delegates, CDR, the federation, the party members, and the party must wage that battle. I am sure that as we speak of a plan, there are some thinking of how they can get around that plan. Anyone who allows such a lack of discipline on his or her block will make solving the problem even more difficult.

We must discuss all these things clearly, otherwise, regardless of the effort that is made, we will not solve the problem. I would say that, considering the figures, this issue surpasses all others, even the sugar harvest and others. We must respond to this extraordinary situation. We must support the construction effort and practice discipline. We must prevent houses from being occupied illegally. We must end this lack of discipline and disorder.

You can tell how many have moved in with each new school year. Centro Habana and La Habana Vieja add 200 to 400 more students to their rosters each year. Where did they come from? [crowd chuckles]

If there are 400 kids, how many adults are there? We must take steps in each neighborhood, independent from other measures that the government might have to take to prevent the influx of people into the capital.

Comrades, we must feel compassion for the revolution and its efforts. We cannot feel compassion for the settlers and those who show no discipline. [applause]

That is an important response. On the other hand, we have the infamous water problem that Comrade Conrado spoke about. An enormous effort has been made. The water pipes are very old. As someone pointed out, numerous brigades have been brought in to repair leaks in the capital. We have purchased equipment through cooperation agreements to help the brigades. Cuba, in the midst of this difficult situation, has invested one million [currency not specified] to purchase pumps and equipment for the capital.

We recently finished and put into operation a new pipe network in the eastern area. We recently put the

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pipes in Cangrejera into service. We are working on expanding the wells at (Iguanabo). We are now laying another pipeline from (Iguanabo). We have [words indistinct] the tank of (Igerito). We have drilled wells in (Cupuyuela). We have purchased joints, some of which are just now arriving. It is a serious effort in the midst of the situation that we currently face [words indistinct] then the brigades of the people's councils responsible for patching up the leaks are unhappy because there are not enough people willing to work to repair the leaks [words indistinct] the work that must be done in the zone [words indistinct] the part that we must play regarding unhappy brigades and water conservation.

I reflect on these things here because I believe everyone must think that way. We cannot continue thinking that everything falls from heaven. We must begin asking ourselves what is being done. Regarding the housing problem, there are those who say that they are not going to work in the construction sector. Anyone who takes that attitude will be left out when it comes time to pass out keys to those houses. [applause]

How long will the blackmail [chantaje] continue? We must consider these little issues.

Comrade Conrado was talking about the potato problem, specifically the vegetable production of January and February. He did not mention that even though we had less tuber production in those two months, there were more vegetables. Many cabbages and tomatoes were lost [words indistinct] he was only referring to the tuber problem. We are making serious efforts to put all the space in the capital to use. We cannot continue telling everyone to continue sending tubers if we have the opportunity to produce vegetables and we do not produce them.

We must make that effort with our organic orchards. We already have 159 units. We hope to end the year with 200. More than 200 farms have been organized. We have 26,000 parcels that should be producing food, herbs, and vegetables for the capital.

I hope he does not get angry with me for mentioning this here, but I was telling the party secretary the other day that while Havana City is distributing eight pounds of potatoes this month, the other Havana [Havana Province] is distributing four. For every 14 eggs that we have, the other Havana distributes seven. Now we have seven, and the other Havana has none. Then I was telling the comrade: All this is produced over there. Why then is it so hard for us to send a small work force to Havana Province, which is where the foods that are sent to the capital are produced? [applause]

We must consider this in this way. We must discuss this in the neighborhoods. People must appreciate the effort being made on their behalf. They must appreciate the effort that is being made to clean up the capital. We are working to solve subjective hospital problems. We are working on 40 important hospital projects. Look at the emergency centers: They were dilapidated. Work is being done on more than 20 pharmacies, on the polyclinic network, on a series of important social projects, on school maintenance, on retirement homes. We have the same problem that we had with the communal services. We have 12 million flowers this year, compared to the 3 million we had last year. At least we will not have the tragedy we had last year with the floral wreaths. Numerous efforts are being made to alleviate the situation.

Comrades, there must be a greater response from the capital. We need more people to help with the pothole problem. The least we can do is try and clean up the streets, yet we have not been able to form complete teams to do this. The effort made with the buses that [words indistinct] we do not know what the situation would be now if that effort had not been made. We now hope to have 182 buses this summer, in addition to the bus of which Comrade Conrado spoke. We launched an important train route to Guanajay just yesterday. Two 10-car trains to Boyeros were recently put on line. We recently increased to eight times daily the number of train stops at Las Playas. This is not only as part of the summer program but also as part of the regular transportation program. We are working on many projects of the [words indistinct] in addition to the effort that we must continue making with the bicycles. We recently sought a significant number of bicycle parts. The nation and the capital have been making an important effort in all of these areas, even regarding the food problem.

It is important that we be aware of all these things, because much is discussed in the neighborhoods and much is examined in light the difficulties that we face. Conrado explained the electricity problem. It is not easy to solve the electricity problem. It is not easy. Do you know how much the country spends each day in electricity? In the capital alone? Approximately $270,000. That is almost $1 million every three and a half days. Did you know that? These things must be explained so that people can have an idea of the efforts that are being made in the midst of the current financial difficulties that we face. There must be a response from the capital, in light of all these difficulties and problems.

The capital has demonstrated throughout its history its revolutionary spirit. The majority has demonstrated its support for the Revolution. We must demonstrate that

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spirit now more than ever, not only through slogans but also through our efforts on these tasks and the struggle to achieve discipline. We can take obligatory economic measures like the ones that are being taken. These could even bring inequality at a determined moment. All these things are done to protect the most sacred thing: our fatherland's independence. We can overcome any difficulty as long as we have our fatherland and independence. If we lose the fatherland and our independence, then we will never overcome the difficulties. [applause]

That is why the capital must play an extraordinarily important role in this whole process, in the whole struggle to conserve moral values. We must preserve dignity, honesty, and respect as part of the conquests of the Revolution. These morals are also conquests of the Revolution. The Revolution's conquests are not only health care, education, culture, sports, and social security — which alone are a lot — but also revolutionary conquests that we must treasure. We cannot allow deprivation and difficulties to take these values away from us. These values are everlasting.

Someone was talking about a father who recently burned his seven-year-old son with a hot fork because he did not want to go beg tourists for dollars. What kind of values does such a person have? Or someone who does not take care of their parent and leaves him to wander on the streets. What happened to that person's values? Or those who want to live illegally?

The capital is a reflection of the Cuban people. The people in the capital, in addition to having the responsibility of living in the capital, also have the responsibility of expressing to the rest of the world what Cuba is, what it means to be a Cuban, what the Cuban people's values are. That battle needs to be waged in each one of the neighborhoods and communities, in each workplace and factory.

We all know what the streets of the capital have witnessed, events like the assault on the palace, on Radio Reloj, and student demonstrations against the different regimes. Havana's streets have witnessed the courage of its best children in the struggle against Batista. It was here, in this capital, where the socialist character of the Revolution was declared. In its defense, thousands of its residents went to Giron to bring about the empire's first military defeat in America. Havana's streets have witnessed multiple demonstrations of the Cuban's decision to defend the victory and conquests of our people.

The people of Havana have been the main characters of the gigantic demonstrations of loyalty and respect to our commander in chief. [applause]

Because of those demonstrations of dignity, respect, and love for the fatherland, of total dedication, and because of the love we profess in our ideas and principles, today we say to Fidel and Raul that the people of Havana will continue upholding the conquests obtained in health care, education, social well-being, dignity, solidarity [words indistinct] sports of the people and for the people, and the many other conquests that we enjoy, that many other peoples in the world do not enjoy. We say to them that we will not allow anyone to take away — not even with 100 Helms-Burton bills — our fatherland's independence. We say to them that on 9 July the united and disciplined people of Havana will know how to maintain our nation's sovereignty and independence.

In light of the campaigns by enemies and traitors, on 9 July the true vote is for our fatherland's dignity, sovereignty, and independence. It is a demonstration of our people's unity and solidarity. It is the ironclad decision of our people, who are mostly revolutionary and patriotic, to defend the Revolution under the guidance of our party and our invincible commander in chief. [applause]

With this spirit and commitment and this patriotic and revolutionary fervor, let us leave this theater to win the battle for the fatherland, for the Revolution, and for socialism. [applause]

Viva the revolution! [crowd shouts: Viva!]

Viva the people of Havana City! [crowd shouts: Viva!]

Viva our commander in chief! [crowd shouts: Viva!]

Fatherland or death! We will win! [crowd shouts: We will win!]

Power Outages Coincide With Election Week

FL0607010495 Havana Radio Rebelde Network in Spanish 17000 GMT 5 Jul 95

[Commentary by Orlando Contreras from the "National Radio News"]

[FBIS Translated Text] There have been electricity outages this week, coinciding with the beginning of Cuban summer television programming, and on the verge of Sunday's elections. This causes unrest. People can react emotionally when they do not have all the elements needed for calm analysis. They might ironically ask: How can we see summer programs when there is no electricity?

There were recent reports of some improvement in the electricity supply, and efforts were conducted to reduce outages. However, there was a sudden a breakdown at unit number 3 of Cienfuegos' Carlos Manuel de

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Cespedes plant. This happened at the same time the Antonio Guiteras plant in Matanzas — a crucial unit in the Cuban electric system, with a 330-megawatt potential — was undergoing repairs. So the Cienfuegos breakdown coincides with the beginning of summer programming, during a week that ends with Sunday's elections, and also coincides with planned maintenance at the Antonio Guiteras plant in Matanzas.

This chain of coincidences calls for quick, broad, timely, clear information. A detailed report — with the honesty that characterizes the Revolution — can be issued at the end of a thorough investigation, which might take weeks. Yet there are occasions when speed, even if only partial information is known, is essential.

This chain of coincidences has caused some annoyance, but some of it might be contrived. We cannot deny that there are those who would like to see obstacles to Sunday's elections, these moments that are decisive to the present and future of the Cuban people.

Election Crossroads: Colonization or Saving Cuba

FL0807152295 Havana Radio Rebelde Network in Spanish 1155 GMT 8 Jul 95

[Abel Prieto and Nunez Rodriguez interviewed by correspondent Zenida Costales; from the "Doing Radio" program — live or recorded]

[FBIS Translated Text] We are only 24 hours away from the elections and obtaining an interview with deputies [not further identified] is a very difficult task. I must confess that this was more a conversation with two people than an interview.

On hand, someone who is not so young anymore, but who has great experience: his name is Nunez Rodriguez. The other, a representative of the new generation — who has the responsibility present times demand — Abel Prieto, Politburo member and president of the National Union of Cuban Writers and Artists. What was the conversation like and what issues were broached? I invite you to listen in.

[Begin recording] [Costales] I would like to know if Sunday is going to be just another day where the best man will be voted for?

[Rodriguez] On Sunday, I am going to vote. As you know, I am a deputy for Diez de Octubre Municipality and additional [adicional] for [words indistinct]. I participated in an election and was elected deputy. On Sunday, I am not just going to vote for my district delegate, I am going to vote for people like Bartolome Maso, Eduardo Chiva, and Antonio Guiteras who never had the opportunity of being elected presidents of Cuba, during a time when the voter was the U.S. Embassy. That is the spirit I am going to be voting with. I will vote for the district delegate and I will be thinking of those men.

[Costales] Lately, it has been said that participating in Sunday's elections means voting for Cuba. Abel, I would like you to talk about that idea.

[Prieto] Zenida, I think our people have a deep understanding of the nature of this moment. I mean the crossroads at which Cuba and the Revolution find themselves right now. I think that once more, we Cubans are at the same crossroads in which Cespedes and Marti found themselves. The crossroads is: either sinking into colonization and disappearing as a nation, or saving Cuba — our nationality — which is synonymous with saving the Revolution and our Socialism. I think this is well understood. People may express this by using any words they wish.

[Costales] I am very grateful for this short interview you have granted, shortly before the elections.

Alarcon Broadcasts Message To Voters on Eve of Elections

PA0907024495 Havana PRENSA LATINA in Spanish 0016 GMT 9 Jul 95

[FBIS Translated Text] Havana, 8 Jul (PL) — Ricardo Alarcon, president of the National Assembly (parliament) of the People's Government [ANPP], stressed today that tomorrow's municipal elections will express the Cubans' national and patriotic resolve for resistance.

With less than 12 hours remaining before the elections, Alarcon broadcast a radio message to Cubans reiterating criticism of the U.S. ultraright sector that "intends to view Cuba as a colony of Washington."

Never again will we be a U.S. colony, the ANPP leader said after denouncing the Helms-Burton draft bill, which intends to choke the island and place it under siege, as well as to discourage investments, trade, and commercial relations with Havana.

They want to shun the example Cuba sets, the example of a liberated, capable people with the authority to exercise the most fundamental right: the right to elect their own destiny.

Alarcon said Cubans will ratify the decision to elect and govern themselves in Sunday's elections .

He urged everyone, with the help of the ballot boxes, to offer firm, clear, and massive support to the aldermen, who will work under difficult economic conditions.

The leader of the Cuban parliament described the elections as an essential instrument for strengthening the country's political system and to help it to have better

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conditions to face all that is required of it: "to face current shortages and reflect the people's will, interest, and feelings."

All of us must seriously think about the great responsibility and the opportunity for each of us to exercise tomorrow the fundamental right of electing our representatives from among the same people we proposed, Alarcon said.

Miguel Aguilar, secretary of the National Electoral Commission (CEN), said everything is ready for the elections and that the last checks show there are more than 7.6 million potential voters and 14,229 electoral districts, 31 of which are special.

According to AGENCIA DE INFORMACION NACIONAL, Aguilar said that 25,534 electoral colleges will open at 0700 [1100 GMT] and that the personnel are properly trained.

Following the tradition, the Young Pioneers will symbolically guard the ballot boxes, a practice that has been in effect since the system of People's Government was established in the Constitution, which was approved in a referendum in 1976.

Foreign Minister Robaina Discusses Importance of Elections

FL0907141695 Havana Tele Rebelde Network in Spanish 1245 GMT 9 Jul 95

[Interview with Foreign Minister Roberto Robaina by correspondent Maribel Puerto at Polling Station 300, in Playa Municipality; from the "This Very Day" program — live]

[FBIS Translated Text] [Puerto] Minister, what do you think about the right that more than 7 million Cubans are exercising today?

[Robaina] If we are talking about the right to vote, the most important thing to remember is that the Cuban people themselves were the ones who secured the right that we Cubans are exercising today. That could be one of the most important aspects of our electoral system. We do not vote because someone tells us to or how someone wants us to: We vote just as we and our parents want to vote. That is what we fought to achieve. Our parents have told us of past elections, even though many of us may not remember. I have had the opportunity to see through the work that I do what Cuba has achieved in these elections. Elections elsewhere may seem quite democratic, but they are based on Western democratic values that they want everyone to consider to be the best. Cuba has already experienced that. Cuba has already experienced campaigns that promised much and periods where these promises were not kept. Cuba has already experienced campaigns when one could only vote for the person who had money. That is not what we want for our people. Cuba has already experienced this. We do not see traces of participation in so-called democratic elections, where only 25 percent of the voters participate and where 75 percent of the people with the right to vote are not interested in who governs the country for good or for bad. In other words, they are not remotely interested in government. That is not what we want for the Cuban people.

[Puerto] Thank you, Mr. Minister. I also wanted to mention that in other interviews that I have had at other polling stations, the people have confirmed that this is a yes vote for Cuba, especially during these times when a bill like the Helms-Burton bill is about to be approved in the United States.

[Robaina] There are many ways to vote. Our people are privileged. We live with permanent elections — that is, today we vote this way. These people have been voting for the Revolution, for the chosen path, with what we produce with so many difficulties, and with our determination to defend what we have if someone tries to snatch it from us. One thing we can say about our project is that we live with permanent elections.

[Puerto] Thank you. Who did you vote for?

[Robaina] Well, I voted...[pauses] I should say that if I would have voted for the best, I would have violated some of the rules because I believe all three candidates are very good. In my opinion, I voted for one only because I did not want to annul my ballot. I believe all three have magnificent qualifications, and they are all worthy of that position. I voted for Cuba.

[Puerto] Thank you.

Morejon Comments on Elections, Upcoming Helms Bill Vote

PA0707040495 Havana Radio Havana Cuba in Spanish 0000 GMT 7 Jul 95

[Commentary by Roberto Morejon from the "Evening Information Review" newscast]

[FBIS Translated Text] The Cuban people go to the polls on Sunday to elect members of their municipal governments and renew their support for a democratic system which, despite its imperfections, has the backing of the majority of the people. It is not without reason that the government is insisting that the 9 July elections are part of the country's intense political battle to preserve its independence and sovereignty, which is being threatened by foreign efforts to wipe out this experience.

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In Cuba, all efforts, without abandoning the country's essential economic tasks, are being geared to furthering the partial elections. In the United States, however, the Republican majority in Congress is trying to push forward a vote on the Helms-Burton bill. This bill is aimed at strengthening the economic blockade against the island and forcing the Cuban people to change a political course they have freely adopted and which harms no one.

In other words, while the U.S. Capitol tries to decide the fate of 11 million Cubans, those same Cubans will exercise their voting rights on Sunday, and they will elect the best candidates to carry out vital government tasks in the best interests of Cuba's grass- roots sectors. The Cubans will vote for the best representatives to further the interests of their communities, while the U.S. Congress will attempt to impose on the island a political system in which parties, divorced from the people's aspirations, inflict, buy, and force the election of their candidates.

Cuban participatory democracy guarantees that people who take part in Sunday's elections will select candidates from a list of honest people who have emerged from the heart of society and will continue to represent them because the Constitution so guarantees it. In the recent words of Cuban parliamentary President Ricardo Alarcon: This cannot be done in other parts of the world. He added that this is one of the things they are hoping to wrench from us by imposing their alleged participatory democracy.

This is what is at issue when Republican Congressmen Jesse Helms and Dan Burton zealously try to get different commissions in the U.S. legislature to vote on the bill that bears their names. After six foiled attempts, it is expected that the U.S. House Foreign Relations Committee will vote on the proposed bill on 11 July. Two days earlier, more than 7 million Cubans, who are of voting age, will go to the polls, and with their votes they will support the candidates with the greatest potential, and, in this way, they will reaffirm their support for the democratic choice they want to maintain.

Pedro Ross Comments on Labor's Role in Electoral Process

FL0907235295 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 9 Jul 95

[From the "NTV" newscast]

[FBIS Translated Text] Pedro Ross Leal, secretary general of the Cuban Workers Federation, in an interview granted to this program, commented on labor's role in the electoral process:

[Begin recording] I believe that the participation of Cuban workers in the electoral process scheduled to begin early tomorrow morning will be... [pauses] as Cuban workers have historically risen to the task during times when the fatherland has needed their participation. This is task of a patriotic nature, a task related to our people's sovereignty and independence. Now, under the current circumstances — under the threat that a bill may be approved in the United States seeking to dictate to us how we whould hold elections in Cuba, and what type of economic system we should have — we here will be expressing our sovereign right to elect the candidates we choose, and to do so in the way we see fit. In that way, the future will be determined by the will of our people. [end recording]

Cuban Opposition Leader Evaluates Talks With Castro

BR2906131095 Madrid ABC in Spanish 29 Jun 95 p 40

[Interview with Eloy Gutierrez Menoyo, Cuban opposition leader, by Alberto Perez Gimenez in Madrid; date not given: "I Will Definitely Be in Havana in November, and I May Have To Go Back Before Then" — first paragraph is ABC introduction]

[FBIS Translated Text] Madrid — Eloy Gutierrez Menoyo, back from Miami, told ABC about his recent visit to Cuba and his meeting with [Cuban President] Fidel Castro which lasted over three hours. The leader of the Cuban Change group confirmed in this interview that the Cuban president's attitude was motivated "by the spirit of change." Monoyo confirmed that he would be visiting Havana in November although he revealed that "I may have to go back before then."

[Gimenez] How were you received in Miami?

[Menoyo] It was great. I had only told my wife so that she could meet me at the airport with our children, but word got round and hundreds of people were waiting for me, shouting and chanting my name. There wasn't a single placard against me.

[Gimenez] How was the interview with Fidel?

[Menoyo] Extremely cordial and very positive. It took place in an office in the Palace of Conventions and lasted more than three hours during which I could see, without a shadow of a doubt, that Castro really has a spirit of change. I know there is still a long, rocky road ahead of us but the door is open now and all we have to do is walk along that road. I was able to talk and expound my points of view which would have seemed unimaginable in the past. I was able to give a news conference without asking permission, I visited

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the nuclear plant because I wanted to, and I was able to drop in on colleagues without anyone stopping me.

[Gimenez] How did you find the Cuban people?

[Menoyo] As always, very hospitable and welcoming, with incredible kindness and respect. Let me tell you an anecdote: Despite the difficult times they are going through, on more than one occasion I gave a $5 bill to a waiter as a tip and his only reaction was to ask me to autograph it.

[Gimenez] How did you feel when you saw Fidel again, the man who kept you imprisoned for 22 years?

[Menoyo] I had already spoken with Fidel in the past. Where feelings are concerned, I did not let myself be influenced because I was concentrating just on a series of political questions regarding the future of Cuba.

[Gimenez] What about Castro, how did he break the ice?

[Menoyo] The minute he saw me he said simply: "Hey Contra! You've let your hair grow long!" I replied that it didn't suit me but it suited my wife, and then it was OK.

[Gimenez] Who else was present at the meeting?

[Menoyo] Foreign Minister Robaina. I had spoken with him on very friendly terms in Cienfuegos, sitting on a terrace at the seminar I went to, and then during the three and a bit hours during the meeting with Castro.

[Gimenez] So the rumors that Robaina was no longer close to Castro and that he had fallen from grace are not true?

[Menoyo] They are just the stupid rumors of people who do not know the current regime. I could tell that Castro had 100 percent faith in Robaina.

[Gimenez] Did you set up a calendar of future meetings between yourself and the regime?

[Menoyo] Well, I was able to confirm that I will be in Havana in November (for the second meeting between the government and the exiles) but I may have to go back before then to solve a few other things...

[Gimenez] To open an office for your group?

[Menoyo] That is one possibility that is being discussed. I do not want to mess up with an indiscretion or a surfeit of protagonism something that arose in a private conversation.

[Gimenez] And what about returning to the island once and for all?

[Menoyo] That is also something that is being discussed. I am currently concentrating on ensuring that any Cuban may come and go as he or she pleases without having to go through the humiliating process of asking for a visa. I would never have thought that I could ever return and move freely around my country or that my visit would be publicized in GRAMMA or covered by official state TV as it was. However, in politics everything is possible...

Castro Attends Meeting of Foreign Currency Enterprises

FL0807182395 Havana Cuba Vision Network in Spanish 1630 GMT 8 Jul 95

[From the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro participated in the second day of a meeting on the administration of enterprises which operate in foreign currency. Carlos Lage, secretary of the Council of Ministers and of its executive committee, is presiding over the meeting, which began on Thursday and is being held at the Council of State's Hall of Plenums. Ernesto Melendez, minister of foreign investment and economic cooperation, and Finance and Prices Minister Manuel Millares, are expected to participate in the meeting today.

The Communist Party of Cuba, government, Union of Young Communists, people's organizations, and central organization cadres, as well as enterprise managers are participating in the meeting.

Castro Attends Economic Meeting on Foreign Investment

PA0807194195 Havana PRENSA LATINA in Spanish 0754 GMT 8 Jul 95

[FBIS Translated Text] Havana, 8 Jul (PL) — A journalistic source reported today that President Fidel Castro attended an important meeting in Havana to review efforts conducted by businesses generating foreign currency for the country.

GRANMA said the meeting will end today after three days with reports from Ernesto Melendez and Manuel Millares, ministers of foreign investment and economic cooperation and finance and prices respectively.

Jose Luis Rodriguez, Salvador Valdes Mesa, Ricardo Cabrisas, ministers of economy and planning, labor and social security, and foreign trade respectively, and Francisco Soberon, National Bank of Cuba president, have already presented their reports.

GRANMA said Carlos Lage, secretary of the Council of Ministers and of its Executive Committee, is presiding over the session.

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GRANMA added that other government leaders, from the Communist Party, Union of Young Communists, representatives from social organizations, and directors of businesses allowed to operate with foreign currency also attended the meeting.

Two years ago, the Cuban Government stopped penalizing individuals handling foreign currency, as a means of increasing state revenues in foreign currency, during a period of great economic difficulties.

Official sources explained that the country's import capacity during the past five years decreased approximately 75 percent, as a result of the collapse of the USSR, together with other markets from the former Socialist Bloc, and the strengthening of the U.S. blockade against Cuba.

Julian Rizo Replaced by Central Committee Member

FL0407021095 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 4 Jul 95

[From the "NTV" newscast]

[FBIS Translated Text] At the Communist Party of Cuba [PCC] Politburo's recommendation, the Provincial Committee of the PCC in Camaguey has decided to dismiss [liberar] Comrade Julian Rizo Alvarez as first secretary of the Provincial Committee and appoint Comrade Carlos Diaz Barranco [as heard], member of the Central Committee, to this position. The decision was announced during a meeting presided over by Army Gen. Raul Castro, second secretary of the Politburo of the PCC and minister of the Revolutionary Armed Forces.

Diaz Barranco [as heard], born in Camaguey and 43 years old, has degrees in Psychology and Education, has been an international combatant, and has performed in several occupations with efficiency and responsibility, including as leader of the Union of Young Communists and the PCC. Beginning in 1994, and up until his nomination, he was president of Camaguey University.

The Provincial Committee commended comrade Julian Rizo's determination and dedication to his job during the almost two years as first secretary of the Party in Camaguey, and highlighting the personal qualifications of Comrade Diaz Barranco. Raul Castro stressed the need to unify the efforts and actions of all the cadres in the province to confront the grand challenge of the upcoming harvest, and of food production. Comrades Juan Almeida Bosque and Jose Ramon Machado Ventura, members of the Politburo, also presided over the plenum.

[Begin Castro recording] A big embrace from Fidel to the people of Camaguey. I call on all of you to meet the goals [words indistinct] [end recording]

Further on Replacement

PA0407032995 Havana PRENSA LATINA in Spanish 0154 GMT 4 Jul 95

[FBIS Translated Text] Havana, 3 Jul (PL) — Julian Rizo Alvarez, the top leader of the Communist Party of Cuba (PCC) in the eastern province of Camaguey, was dismissed [liberado] today from his responsibilities during a meeting presided over by Raul Castro, second secretary of the PCC.

Rizo Alvarez was replaced [relevado] by Carlos Diaz Barranco, 43, who has a degree in psychology and education, and who, at the time of his election by the Camaguey Provincial Committee of the PCC, was serving as president of Camaguey University.

A report in a television newscast said the meeting which was held at Camaguey party headquarters was attended by Jose Ramon Machado de Ventura, a member of the Politburo of the PCC.

In the summer of 1994, the first secretaries of the PCC in six of the 14 provinces in Cuba were replaced — a process Foreign Minister Roberto Robaina described as normal and without upheaval.

The previous changes were made in Pinar del Rio, Sancti Spiritus, Holquin, Santiago de Cuba, Villa Clara, and Guantanamo Provinces.

"These changes are not part of a new process, because since the initial success of the revolution, there have been continual changes. I see them as something natural, which is strictly in line with the concept of revolution which we have defended for 35 years — that is, constant change and the ability to adapt to new situations," Robaina commented on that occasion.

Politburo Replaces Las Tunas PCC First Secretary

FL0407230795 Havana Radio Rebelde Network in Spanish 1700 GMT 4 Jul 95

[From the "National Radio News"]

[FBIS Translated Text] Commander of the Revolution Juan Almeida Bosque and Jose Ramon Machado Ventura, both Politburo members, presided over the provincial plenum of the Communist Party of Cuba [PCC] today in Las Tunas. During the plenum, the province's PCC first secretary was dismissed. Correspondent Ricardo Varela has more details.

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[Begin recording] In response to a request from the Central Committee Politburo, the PCC provincial committee in Las Tunas dismissed [libero] Julian Lopez Hernandez as the organization's first secretary in that province. To replace Lopez, the committee elected (Misael Enamorado Dager), 41 years of age, an electrical engineer who has successfully fulfilled tasks there in production, administration, and in the political arena.

At the time of his election, Enamorado was working as a member of the provincial PCC in organizational and ideological spheres. Enamorado is also a member of the Central Committee and deputy to the National Assembly of the People's Government.

The plenum expressed its recognition of Lopez's years of work in the province. Over the last 10, Lopez functioned as president of the People's Government Provincial Assembly and later as first secretary of the PCC in the province. [end recording]

PCC Replaces 2 First Secretaries

PA0507034395 Havana PRENSA LATINA in Spanish 0107 GMT 5 Jul 95

[FBIS Translated Text] Havana, 4 Jul (PL) — Two other Communist Party of Cuba [PCC] first secretaries in the country's eastern provinces were replaced today during meetings presided over by Politburo members Jose R. Machado and Juan Almeida.

In Las Tunas Province, electrical engineer Misael Enamorado Daller, 41, has taken the place of Julian Lopez Hernandez, and livestock engineer Amado Amut Moreno, 39, will assume party leadership in Granma Province as a replacement for Jose Cabrera.

In addition, Julian Rizo Alvarez, first PCC secretary in Camaguey, was replaced by Carlos Diaz Barranco, 43, a graduate in psychology and pedagogy.

The highest party authorities in six of the 14 Cuban provinces were removed last summer. The provinces involved are Pinar del Rio, Sancti Spiritus, Villa Clara, Holguin, Santiago de Cuba, and Guantanamo.

GRANMA Cited on Party Replacements

FL0507141395 Havana Radio Rebelde Network in Spanish 0900 GMT 5 Jul 95

[From the "Doing Radio" program]

[FBIS Translated Text] GRANMA reports on 5 July on the election of new party secretaries in Las Tunas and Granma Provinces. Almeida and Machado Ventura chaired the Cuban Communist Party's provincial plenums. At the Central Committee Politburo's request, the Las Tunas provincial committee dismissed [libero] Julian Lopez Hernandez as first secretary in the province and elected Comrade Misael Enamorado Daller to the post. The Granma provincial committee elected Comrade Armando Amut Moreno, 39, first secretary, to replace Jose Ramon Balaguer Cabrera.

Commentary Views Prospect of U.S. Partially Easing Blockade

PA0807133695 Havana Radio Havana Cuba in Spanish 0000 GMT 8 Jul 95

[Commentary by Roberto Morejon; from the "Evening Information Review" newscast]

[FBIS Translated Text] The U.S press have continued to forecast a possible official decision by the White House to lessen restrictions included in the economic, financial, and commercial blockade the United States maintains against Cuba.

THE WASHINGTON POST, one of the most prestigious U.S. newspapers, once again referred to the issue, and predicted a minor decrease in some restrictions currently in effect against Cuba, specifically those aimed at allowing more U.S. citizens to travel to the island.

In fact, a responsible feeling from the United States would call for the total elimination of the blockade policy, since beating around the bush and merely removing insignificant measures would simply constitute a maneuver aimed at avoiding the core of the problem.

The continuation of the U.S. blockade against Cuba, and further attempts to reinforce it, comprises the weak spot in the controversy between Cuba and the United States, which has been set aside for more than three decades as a result of the inflexibility of eight successive administrations.

According to THE WASHINGTON POST, the White House is worried about how the extreme-right Cuban emigrant groups will react if it decides to partially lift the restrictions contemplated in the blockade.

However, this ingredient has lost significance in light of the decision adopted by President William Clinton this past 2 May — despite rejection from the extreme right of the Cuban migration — authorizing the signing of a migration agreement with Cuba, which has been of mutual benefit to both nations.

Other factors, such as the transfer of funds to the island, also contribute to demonstrating how maintaining the blockade against Cuba is outmoded.

As THE WASHINGTON POST itself pointed out, by resorting to alternate channels through third countries, relatives of Cubans living in the island have managed

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to circumvent the obstacles set up by Clinton in 1994 related to the transfer of funds to Cuba.

Neither is it easy for the United States to justify such restrictions as travel to Cuba, since this is a prerogative guaranteed by the U.S. Constitution itself, which a growing number of citizens are determined to exercise.

Without any doubt, the U.S. Government is short of concrete arguments to justify its restrictions on Cuba, so that the easing of some restrictions, as forecast by THE WASHINGTON POST, would not be inconceivable.

Now, easing the blockade in a superficial manner would not make much sense, and neither would it serve to diminish criticism against the blockade.

The most prudent course of action then would be to lift it once and for all.

Haiti

Aristide Opens International Conference on Democracy

95CA9108 Port-au-Prince Signal FM Radio in French 1030 GMT 7 Jul 95

[FBIS Translated Text] In the news is the opening, yesterday, of that international colloquy on transitions to democracy. Upon opening this colloquy at the National Palace in the presence of former Argentine President Raul Alfonsin, President Jean-Bertrand Aristide saluted the dream of freedom of the Haitian people. Speaking before several hundred invited guests — among them 90 foreigners from, notably, the American hemisphere and Europe — President Aristide stigmatized the repression by the Haitian Army during 200 years. We do not agree with allowing weapons to replace the Constitution, stressed the Haitian president, who exclaimed: Reconciliation among all and justice for all! Here is an excerpt of the speech made by the Haitian chief of state on that occasion:

[Begin Aristide recording, in progress] ...congratulate you, all of you who were willing to work for this colloquy, and I invite the Haitian people and the international community to heartily applaud all those who say yes to this equation: reconciliation among all and justice for all.

It is in this context that our deep reflection takes into account a psychology that prevailed in the reflections of the first 20 years of our century, and of a psychology that prevails at the end of our century. It is in thus that our initiative falls within that philosophical reflection that [words indistinct] that collectivity is our choice. [Word indistinct] is the choice of equilibrium.

Because it is the choice of equilibrium, we refuse to speak of justice without speaking of reconciliation, just as we refuse to speak of reconciliation without speaking of justice. [end recording]

For his part, former President Alfonsin expressed the opinion that the Haitian people is a symbol and a synthesis in the struggle for a more just society. The struggle in Haiti is the struggle of all Mankind — said Mr. Alfonsin, who spoke with irony about the new international order, or, as certain people call it: the new international disorder. Here is Raul Alfonsin.

[Begin Alfonsin recording, in progress, in Spanish with passage by passage translation into French — translated from the original Spanish]...and understand that just as there is a struggle against inequity going on inside countries, we must also struggle against inequity and in favor of equality within the concert of nations. I think that in the case of the Republic of Haiti, a concern on the part of international organizations and various countries is very evident, with the aim of cooperating [words indistinct]. However, it is of fundamental importance for us to understand that, since Haiti is a...[break in recording] for adopting respect for the dignity of every individual, [Haiti] also merits a very special solidarity...[break in recording] of transcending, by much, the applause with which the more important countries greet Haiti's access to democracy. [end recording]

Unesco special envoy (German Canejo Roac), who was also present, says he is convinced that with Jean-Bertrand Aristide in office, the government was really going along the path of democracy.

[Begin (Canejo) recording, in progress] ...at a moment that Unesco is launching, from its office in Mexico, the director of which I am, the project entitled Latin America: A New Political Culture for the New Century. A first meeting presided over by the general director of Unesco was held on Contadora Island, Panama, last March. Another such meeting will be held at the end of this month in Cartagena, Colombia, with the participation of certain prominent figures present here today, such as President Raul Alfonsin. Over the next two years, other meetings [words indistinct] and focusing on these same issues will be held in different countries of Latin America. All these meetings will result, in 1997, in the holding, in Brazil, of a regional summit for the renewal of the political culture, organized by Unesco under the auspices of the presidency of the Republic of Brazil. Thus, we firmly hope to be able to count, during the course of these summits on the presence [words indistinct] Mr. President Jean-Bertrand Aristide. This project, of great

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importance for the action of Unesco in Latin America, aims to create — and it has already undertaken efforts in this direction — a (?stable) reflection on the crucial problems that are at the very heart of this colloquy in Port-au-Prince. [end recording]

For his part, Haitian Minister of Culture Jean Claude Bajeux recalled that the National Palace, where the opening ceremony of the conference was taking place, had been a center of terror where men had been tortured under the dictatorship of the Duvaliers, before being turned into a guardroom by the military in power.

[Begin Bajeux recording] We must not forget that in the offices of this palace, many of our comrades [camarades] were tortured, and [words indistinct] one of the first to have fallen victim to the dictatorship of the Duvaliers, (Derrick Briere), who lost his life here, tortured to death — without counting many of our comrades who passed time in the underground prison that is in the yard of this palace. Among them, is one of the members of this cabinet, who of course remembers what those terrible days were like. [passage indistrinct] And if already, after Costa Rica and Panama, (?Haiti) has decided to do without weapons and to put into effect a total disarmament, a disarmament not only of its armed forces but of the entire society, it is not one of the shortcuts — as one of our geographers put it — toward development. Will we be able to do without weapons and, instead, address, directly, our development problems? That will probably be one of the topics of our discussions in the coming days. [end recording]

Organized by Haitian writer Laennec Hurbon, a researcher at the French National Center for Scientific Research [au Centre National de la Recherche Scientifique francais], this colloquy, which is to conclude tomorrow, will broach diverse aspect of transitions to democracy on several continents.

New National Republican Party Leader Named

95CA9106 Port-au-Prince Signal FM Radio in Spanish 1030 GMT 7 Jul 95

[FBIS Translated Text] A short time after the death of attorney (Ulrick Saint-Louis), a new head of the National Republican Party [Parti National Republicain, PNR] has been appointed. Mrs. (Athee Rivera), a candidate for senator, has been chosen to lead this political organization. After her appointment, Mrs. (Athee Rivera Saint-Louis) reacted to the holding of elections throughout Haiti, demanding that these elections be held anew. Mrs. (Rivera) says she thinks that such a step will contribute to increasing the cost of elections in Haiti.

[Begin recording, in Creole] [(Rivera Saint-Louis)] Personally, I think they can call what happened on 25 June anything but elections, because there was really too, too, too much confusion.

[Unidentified reporter] Mrs. Saint-Louis, many political parties have asked that these elections be annulled. What is the position of the National Republican Party?

[(Rivera Saint-Louis)] The PNR was among the political parties that signed the annulment petition. Of course, I had expressed reservations, I signed anyway, because however I examined the problem, I saw that only annulment of the elections could allow us to see more clearly into it [ki pou ta fe nou we pi kle ladan] — despite the fact that the annulment is going to pose other problems.

[Reporter] What problems do you think will occur if the Provisional Electoral Council annuls these elections?

[(Rivera Saint-Louis)] Well, it is going to cause an economic problem, because I.... [rephrases] In the PNR, I and others do not think that the CEP had an extraordinary amount of money in its hands with which to hold elections. We always considered the CEP [Provisional Electoral Office] to be under constraints [kom kwense]. The CEP gave the impression that in order to buy even a pencil, it had to do accounting. The CEP was not free to do whatever it pleased [lib de se mouvman]. [end recording]

Election Irregularities Protested in Cap-Haitien 5 Jul

95CA9105 Port-au-Prince Signal FM Radio in French 1030 GMT 7 Jul 95

[FBIS Translated Text] A demonstration was held by some 1,000 residents of Cite Lescot in Cap-Haitien on 5 July to denounce the fraud and irregularities noted during the first round of elections. The demonstrators also protested the high cost of basic necessity products and the pitiful conditions under which they live in Cite Lescot, a slum located a few meters from Barriere Bouteille [the entrance to city of Cap-Haitien].

The protesters blocked the entrance to the city by setting tires on fire. They were expressing their anger against the leaders who, according to them, have done nothing to stop extreme poverty.

Election-Related 'Fallout' in Saint-Marc Area Noted

95CA9112 Port-au-Prince Radio Metropole in French 1600 GMT 7 Jul 95

[FBIS Translated Excerpt] In the lower Artibonite Valley, in [word indistinct], too, near Saint-Marc, the fall-

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out from the 25 June elections dominates the news: demonstrations of protest by candidates, sit-ins [preceding word in English] in front of BEC's [Communal Electoral Offices], protests in the press — and, reportedly, bribes have been offered to electoral office members by certain candidates.

[Begin unidentified reporter in Creole — live or recorded] The more the results of the 25 June elections take their time in coming, the more candidates and election authorities in the Artibonite fire volleys at one another. Candidates are multiplying their strategies, to ask that their ballots come in, for the second round of elections; or to continue to denounce dishonest acts on the part of the BEC's, BED's [Departmental Electoral Offices], and the KEP [Provisional Electoral Office, CEP] during the elections; or — certain of them — to demand, purely and simply, that the 25 June elections be annulled, and annulled at all levels. There is no one strategy the candidates use most. They are employing sit-ins [preceding word in English] in front of the BEC's, demonstrations, protest notes.

Also, the vice president of the Saint-Marc BEC, [name indistinct], told the press that there is no candidate protesting the elections in the Artibonite. Some candidates are betting today on the other side of the coin [Genyen se sou rever meday la y'ap mize jodi a]. They had offered money to have crooked wheeling and dealing done on their behalf [pou magouy]; now it is they themselves who are (?demanding) that the electoral process move forward [kunyea se yo menm ki empoze prosesis elektoral la avanse].

According to the vice president of the [Saint-Marc] BEC, Senate candidate (Serges Benoit), running under the PROP [expansion not known] banner, offered to pay him $10,000 for the vice president to ensure that him would emerge victorious in the election. [passage omitted]

(Serges Benoit) denied that accusation, with no further explanation.

Yesterday, a demonstration by several dozen people in Freycineau in protest of crooked wheelings and dealings that the demonstrators claim are being effected in connection with the elections, with a view to obstructing the victory of candidate (William Germain) as mayor of Saint-Marc, was properly controlled by the UN troops in Saint-Marc.

Finally, next Sunday [9 July], 136 newly graduated Haitian policemen from the National Police Academy in Port-au-Prince will arrive in Saint-Marc, in the lower Artibonite Valley, to take over command from the Honduran UN troops, who are ready to welcome them — according to Honduran colonel (Francisco Baez), spokesman for the UN base in Saint-Marc.

[This is] [name indistinct], in the lower Artibonite Valley, for Radio Metropole.

Prison Director Blames Riot on Lack of 'Justice'

95CA9107 Port-au-Prince Signal FM Radio in French 1030 GMT 7 Jul 95

[FBIS Translated Excerpt] There was an attempt to break out of jail yesterday afternoon [6 July] at the National Penitentiary. The prisoners of Port-au-Prince's main jail undertook a vast protest movement, demanding to be released. During their movement, the prisoners employed sticks and rocks with a view to intimidating their jailers. This new attempt to break out of jail [tentative d'evasion] by the prisoners of the National Penitentiary ended in failure, right Jean Lukenson?

[Reporter Lukenson, in Creole — live or recorded] Indeed, the National Penitentiary provided quite a show [te tounen youn senn teat] on the afternoon of 6 July, with several shots fired into the air and rocks flying. People in the area became very anxious, and were wondering what was going on and why there was all this show [tout senario sila a]. A few hours later, everyone heading into the area was being blocked by UNMIH [UN Mission in Haiti] policemen armed with heavy weapons, wearing helmets and bulletproof vests, and carrying billy clubs and shields. Although it was raining very hard, the press was not authorized to enter [the prison], or to go find the prison director — given the reticence of the penitentiary officers [ajan] standing guard in front, who said they had no such orders from their superiors.

After much discussion, the director of the penitentiary, Mr. (Percy Goldman), received us, and told us there had been a mutiny inside the prison, at around 1300 [1700 GMT], but that the prisoners' main demand was a bit of justice. They were demanding a bit of justice. They have been languishing in jail for too long; the courts must examine their cases, said prison head (Percy Goldman), who said that people from both sides, both prisoners and prison officers, were injured.

[Begin recording] [(Goldman)] This afternoon, at around 1600 [2000 GMT], I was in my office writing a report when I heard several blasts of the alarm whistles. When I went outside, I saw that the prisoners were rioting. They poured into and packed the courtyard. They were aggressive toward the officers, and some officers were injured. So what we did was gather everyone who was here, and then we went inside and brought the situation under control.

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[Unidentified reporter] How many (?prisoners were involved), more or less?

[(Goldman)] Well, everybody. Almost everybody was involved.

[Reporter] What were they armed with?

[(Goldman)] Rocks.

[Reporter] But weren't there any who had weapons?

[(Goldman)] No, no. [Responding to indistinct question from another unidentified reporter] Up to now, no one has gotten away.

[Reporter] How is [words indistinct] now, at present?

[(Goldman)] The situation is under control. We have brought everything under control.

[Reporter] No one (?died) [words indistinct]? [end recording]

[Begin second recording] [Unidentified reporter] [Words indistinct] among the prisoners?

[(Goldman)] There are wounded among the prisoners.

[Reporter] What kind of wounds; are the injuries caused by rocks or bullets?

[(Goldman)] Huh?

[Reporter] Wounds caused by rocks or bullet wounds?

[(Goldman)] No, they were hurt by rocks, but they are not very seriously hurt. They suffered slight wounds.

The reason they did that is...[rephrases] it's a matter of justice. If you talk to them, some will tell you that they have been here for six months, and have never yet, to this day, appeared before a judge.

[Reporter] Are there many former members of the Armed Forces among them?

[(Goldman)] Among who?

[Reporter] Among the prisoners.

[(Goldman)] There are former members of the Armed Forces among them too. [end recording]

[Luckenson] Mr. (Goldman) thinks the judiciary must shoulder its responsibilities, so as to avoid a recurrence of such events inside the prison.

[Begin recording] [Question indistinct]

[(Goldman)] It is normal for them to try to escape. Besides, in the mind of the prisoner, what he wants is to get out. That means that the society has ordered us, who are here, as prison officers, to keep them in prison. Our job here, the job of those of us here, is to keep the prisoner in prison, prevent him from escaping. Now, in order for that not to happen, it is the judiciary that must begin doing some work. That is: There are many prisoners here who have never as yet gone before a judge. For the time being, efforts have begun being made, at the level of the judiciary, but...[rephrases] they will continue to do it, and, as time passes, everything will end up falling into place regularly. [end recording]

Despite the continuing rain, many curious bystanders continued to stand around outside the main prison, so as to follow events. The gentlemen UNMIH policemen kept asking them to go away, to not remain on the scene. A number of witnesses explained things to us. [passage omitted consisting of recorded description of events by a number of unidentified bystanders, speaking Creole]

We point out that this is not the first time this kind of thing happens — something to which the competent authorities should turn their attention. We'll see what happens next.

[This is] Jean Luckenson, Signal FM.

'Resurgence of Violence Noted': New Murder

95CA9103 Port-au-Prince Signal FM Radio in French 1030 GMT 7 Jul 95

[FBIS Translated Text] In the news is this resurgence of violence noted in Haiti in the past few days. Violence left new victims again yesterday. One person dead and one person wounded is the toll of an attack — on two people in a Mercedes-Benz vehicle — by an individual on a motorcycle in the vicinity of the National Theater, in the Bicentennaire [area of Port-au-Prince]. Shortly after the murder, a joint UNMIH and Haitian Police unit came to the scene to formally record the incident before the body of one of the victims was taken to the hospital. We remind listeners that two people were shot and killed in the Lalue area at the beginning of this week. Those two people were driving in a Toyota Camry when armed men in a pickup truck opened fire on them, killing both. The murdered people were Yves Marie Claude, nicknamed Toto Claude, and his accountant, Mario Beaubrun.

This is, then, the second case of violence that has caused victims this week in Port-au-Prince.

Gonaives: Protests Enter 'Different Phase' 6 Jul

95CA9111 Port-au-Prince Radio Metropole in French 1600 GMT 7 Jul 95

[FBIS Translated Excerpt] There were demonstrations yesterday in Gonaives. Several political parties assembled their followers to demand that the election be declared null and void. That demonstration almost deteri-

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orated into a mess. Here is a telephone report from our correspondent, Pierre Gabriel:

[Begin Gabriel report, in Creole — live or recorded] On Thursday, 6 July, several political parties — such as Panpra [Nationalist Progressive, Revolutionary Party of Haiti, PCNT [expansion unknown], RDNP [Assembly of Progressive National Democrats], FNCD [National Front for Change and Democracy] , and PDC [expansion unknown] — as well several different people's organizations in Gonaives — such as [name indistinct] — held a sit-in [previous word in English] in front of the school run by the Brothers of Christian Instruction [Freres de l'Instruction Chretienne] in Gonaives, where the BED [Departmental Electoral Office] for the Department of the Artibonite is finishing the work of counting the votes (?cast) in the 25 June elections.

In the demonstrators' placards, they called for the annulment of the 25 June elections, that the CEP [Provisional Electoral Council] be dismissed, and other such things. [passage omitted]

Also, at around 1330, several demonstrators set up flaming barricades in the (Trou Chatte) area in order to block traffic along National Highway No. 1. The intervention of the UNMIH [UN Mission in Haiti] soldiers permitted the situation to [words indistinct]. We point out that the UNMIH soldiers prevented a catastrophe in Gonaives, where the very agitated demonstrators put the election authorities through a very bad time. However, that did not stop the Artibonite [words indistinct] and the Gonaives [words indistinct] get hit by many rocks. Thus, the protests following the 25 June elections have gone into a different phase [pran oun lot faz] in Gonaives.

[This is] Pierre Gabriel, Radio Metropole, Gonaives.

CEP Confirms Results To Be Published 8 Jul

95CA9110 Port-au-Prince Radio Metropole in French 1600 GMT 7 Jul 95

[FBIS Translated Text] No official date for the second round of elections has been set. The Provisional Electoral Council [CEP] has still not officially specified a date. According to CEP spokesman (Gerard Alexandre), the members of the council envision setting the date for the runoffs back a bit, because of the supplementary elections that are going to be held in places where the first round of elections was not able to be held on 25 June. On the other hand, (Alexandre) did confirm that the results will be published this Saturday, 8 July.

Former Deputy Accuses OAS Observers of Irregularites

95CA9104 Port-au-Prince Signal FM Radio in French 1030 GMT 7 Jul 95

[FBIS Translated Text] Former Deputy Pierre Simon Georges is denouncing numerous irregularities that occurrred in the South Department during the first round of elections. It seems urgent....[rephrases] In a letter addressed to Anselme Remy, president of the Provisional Electoral Council, former Deputy Pierre Simon Georges says he thinks the members of the Registration and Voting Offices, Communal Electoral Offices [BEC], and Departmental Electoral Offices all belong to a single political family — Lavalas. Out of 48 polling stations spread over three communal sections and in the downtown area, the second section alone has 24 polling stations, because it is the birthplace of a Lavalas Political Organization [OPL] candidate. Out of 20,109 registered voters, 10,500 — more than half — are registered there.

Georges, who is vice president of the BEC, publically expressed his pride at being in conflict with a representative of the National Agricultural and Industrial Party [PAIN] following a complaint made to him.

Georges, the former deputy from Camp Perrin, says that it is evident to all that OAS observers, after a brief meeting with a few voters, filled up ballots... [rephrases] — excuse me — filled up the ballot box of the (Marceline) polling station to the benefit of the OPL candidate, which gave rise to an altercation between a PAIN representative and these observers.

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Zedillo Comments on National Crisis, Tours Aguascalientes

PA0807130695 Mexico City Radio Red Network in Spanish 0000 GMT 8 Jul 95

[Report by Victor Manuel Suberza; from "The Night Monitor" newscast]

[FBIS Translated Text] President Ernesto Zedillo on 7 July made a quick working tour of Aguascalientes. As he toured this state for the first time during his administration, Zedillo recognized that unemployment matters constitute the most difficult issue. The head of state waited until the last part of this tour to explain what the government has designed to overcome the crisis and to recognize the many efforts people have made in the last seven months, which have undoubtedly been hard months of tests.

He said that, if he had failed to proceed with determination after the crisis emerged, the country would have experienced a disaster of unimaginable proportions with the loss of millions of jobs. The head of the executive branch pointed out that the measures his government has taken have not been pleasant measures, but they have worked, thus ensuring the country will be able to retake the path to recovery.

He also commented on the lesson learned from the crisis that emerged at the beginning of this administration. As a corollary, he pointed out that the country must advance not only in economic matters but also in political and social matters.

[Begin Zedillo recording] I am confident we will be able to do it; we will do it by continuing to make the same efforts and to follow the same discipline with which we are harnessing this crisis. I am also convinced that we must not resign ourselves to advance in economic matters only; I believe that we all clearly understand the lesson that advancing in economic matters alone is not enough. Our people are rightfully demanding that we advance in social and political matters as well. [end recording]

President Zedillo explained to businessmen, intellectuals, seasoned politicians, and academicians from the state what his administration has done so far. Former Government Secretary Enrique Olivares Santana, who was the first Mexican ambassador to the Holy See, stood out.

In addition, the president said that we Mexicans have no alternatives but to grow economically in order to promote the required sources of jobs. As for political matters, he said that Mexico wants to and could be a democratic country, adding that even though he recognized that certain people get desperate, understanding among Mexicans and parties is the only valid path toward democracy. It is here that he assessed that expanding the democratic course is a task for everyone, not just the government.

In Aguascalientes, President Zedillo met with the agricultural sector and said that the government will support peasant organizations without having to return to populism and paternalism. On two occasions, he again insisted on telling us the bad news. I will cite only excerpts of one of his speeches: We do face problems, but there are more positive events than negative events every day, even though the media barely report on the positive events.

This is how his working tour went in Aguascalientes, where we could observe that Governor Otto Granados Roldan applauded the president a great deal.

Zedillo Announces 9 Billion New Pesos for Education

PA0707194695 Mexico City Radio Red Network in Spanish 0000 GMT 7 Jul 95

[Report by Victor Manuel Suberza from Los Pinos presidential residence; from "The Night Monitor" newscast]

[FBIS Translated Text] Stressing that education is the promoter of social welfare, President Ernesto Zedillo announced this afternoon that 9 billion new pesos will be channeled in the next five years to fight educational backwardness in our country. The idea is to turn schools into the heart of community life where social programs will be implemented to improve the students' standard of living. These programs include school breakfast programs, scholarships, and health and other basic services. In principle, the coordination program is aimed at taking care of the educational needs of 23 states of the republic. These states have signed the pertinent educational agreements. The program will benefit 4 million students of 40,000 schools, distributed in 1,700 municipalities. The program also includes the participation of 140,000 teachers:

[Begin Zedillo recording] This is a very important pact to implement an overall policy of social development in order to multiply opportunities and fairness. In the next five years, these programs for educational compensation will involve a federal public expense of 9 billion new pesos. This sum represents the largest investment in the history of Mexico for educational programs specifically aimed at assisting those who need it the most: the poorest communities in the country. [end recording]

The president told the eight governors of the states that joined the overall program that Mexico is still fight-

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ing educational backwardness and inequalities; thus, the coverage and quality of the education must be improved. The participating states are: Queretaro, Quintana Roo, Chihuahua, Colima, Nayarit, Sinaloa, Mexico, Zacatecas, and Sonora. The Sonora governor did not attend the event, however.

At the ceremony, held at the Los Pinos Lopez Mateos Room, Public Education Secretary Miguel Limon Rojas announced that the compensatory programs will pay special attention to covering economic deficiencies; thus, it will provide teaching material and resources to children and teachers, including the Indian population in their respective language.

Central Bank Reports 1995 Inflation Rate

PA0807134895 Mexico City NOTIMEX in Spanish 0042 GMT 8 Jul 95

[FBIS Translated Text] Mexico City, 7 Jul (NOTIMEX) — The Bank (central) of Mexico reported today that the inflation rate amounted to 3.176 percent in June, and the National Consumer Price Index had increased 32.92 percent during the first half of 1995.

In a communique, the central bank observed that June's inflation rate had been lower than the ones registered in the first six months of the current year and that for the second consecutive month, the rate was less than the one registered the preceding month.

According to the central bank, Mexico registered the highest inflation rate of the year in April, when the inflation rate reached 8 percent. This rate, however, fell to 4.18 percent in May.

The bank attributed the inflation increase in June to increases in family consumer goods, mainly several fruits and vegetables, housing, milk, bread, refreshments, poultry, sugar, furniture, domestic appliances, and school supplies.

It reported that the basic consumer basket price index in June had increased 2.60 percent over the rate registered in May.

Up to June, the National Producer Price Index, without including export crude oil, increased 2.94 percent over the rate registered in May. The annual inflation rate increase has reached 41.60 percent, the Bank of Mexico indicated.

The increase in prices to producers in June was mainly triggered by hikes in agriculture products, natural gas, copper, lead, sulfur, refreshments, uniforms, school supplies, and domestic appliances, among other things.

Out of the 46 cities polled to obtain the information for the inflation rates, the ones that registered the highest increases in prices to consumers during June, were: Hermosillo, Sonora; Cortazar, Guanajuato; and Campeche, Campeche.

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Argentina

Reportage on President Menem's Inauguration

Text of Innauguration Speech

PY0807164895 Buenos Aires Argentina Televisora Color Network in Spanish 1304 GMT 8 Jul 95

[Speech by President Carlos Menem at the Congress building in Buenos Aires upon his inauguration to a second presidential term — live]

[FBIS Translated Text] Honorable Congress of the nation, Your Excellencies heads of state, people of my fatherland:

In July 1989, a new page was opened in both the book of history and the book of my personal life.

The words and events that we wrote during these past six years on that blank page are still fresh in the minds of Argentinians.

What was not imagined, however, was that the president would be reelected and have the honor of finishing a task.

The possibility of the reelection of the president was introduced during an exemplary constituent assembly. That convention was the only one in the country in which the entire political and ideological spectrum of our Argentina was represented, the only convention in our history in which there was a direct election by the people and we all swore upon it.

The country had the intuition that the success of a government merited an opportunity and continuity in time. The country wanted a president to write a second page, and that was my case.

And, here I am at this moment, about to begin that new stage.

To be brief, let me touch upon one aspect, the only aspect that is acknowledged by everyone, friends and adversaries: The first period was marked with the seal of stability.

After 50 years of anguish, dictatorships, weak governments, and erratic leadership, Argentina placed value on a basic condition of its development, of its social and economic coherence, and of its incorporation into the modern world.

And, I will also briefly preview for you the content of the period that begins today: Growth with social justice. [applause]

I am fully aware that this is what the people are expecting from me. Once again, I will not let them down.

Faithful to this banner, I am here, in the name of the law and of popular will, to take the oath that the Constitution calls for. I do so, as the people desire, with the purpose of consolidating the great national transformation and completing an unavoidable task in peace and with justice. [applause]

History repeats itself, the same as occurred in 1989. [This remark by Menem is prompted by the fact that the congressional bell for sessions rang inexplicably at this point in his speech, as it did during his 1989 swearing in and inauguration; Menem's words are greeted with laughter and applause.]

Yesterday as today, today as tomorrow, I am using, and will continue to use, imagination and firmness to overcome the critical hours that we may have to experience.

On this matter, I will oblige myself to comply with the basic mandates of democracy: The enforcement of rights, respect for guarantees, the maintaining of real equality, the equal distribution of the national income, regional development, the generation of jobs, the defense of the value of the currency, and the scientific and technical development of the nation.

For this we have, among other things, a five-year growth plan that is not a new expression of desire but a state tool, a tool of a state that has recovered, after many decades, the possibility of programming in the medium and long term.

We now know that it is not enough just to have representative democracy. The times demand that democracy also be participative so that we, together, can create Argentina's future with commitment, solidarity, and responsibility.

Together means, among other things, with the full freedom of expression. I urge my fellow countrymen to express — and continue expressing — themselves as businessmen, as taxpayers, as soldiers, as workers, as believers, as researchers, and as simple citizens, which is their most honorable title.

The reformed Constitution promotes a dynamic communication between man and the system, between the individual protagonist and the institutional protagonist. Let this be our compass.

We knew how to reform ourselves, we knew how to reconcile ourselves, and we knew how to integrate. This means that we will also know how to grow with social justice. For this, we need to reinsure our freedom, reformulate the limits of the state, and value private initiative.

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No responsible liberty is sufficient where there is not also progress and growth.

That is why we are promoting more freedom in integration, communications, production, commercialization, protection of the environment, and social services.

We have learned, fellow countrymen, that the best way to defend freedom is to obey a sole authority; namely, that of the national Constitution.

Within this supreme framework, we accept new public responsibilities, including those of controlling, arbitrating, supervising, protecting, balancing, assisting, and subsidizing.

With these, we will achieve an advantageous and just equation between capital and work, between investment and profit, between services and customers, and between producers and consumers.

This is necessary, brothers, because authority cannot be indifferent in the face of poverty, misery, abuse, abandonment, discrimination, lack of equity, and pain or exploitation that our families could suffer.

The state that we are founding has reconstructed, as can be seen, the public services and functions. But, the reform of the state is not exhausted with a successful privatization of public enterprises. It demands greater and better changes, efficient and structural changes, because we cannot imagine an individual without rights nor a state without rights.

The country wants and will have legality and respect for institutions, and the necessary legal security that stems from the reforms that are being promoted.

This is the projection for the growth with justice that we have set as our goal. This is why we consider the law to be a vital and progressive element of social development.

Therefore, in this stage the legislative branch will have a prominent role both in the drafting of laws and in the control of the task and its legitimacy.

The judicial branch, through its role in jurisprudence, will be the perfect advocate of objective justice.

Now, as the authentic custodian of the Constitution, the judicial branch has, with the Supreme Court, the Council of Magistrates, and the Attorney General's Office, the tools to apply justice without shirking its duty and without any commitment other than that to the national interests.

The more pronounced republican cut of the reformed Constitution will give us a life more in accordance with the common welfare, the supreme goal of a civilized society.

All types of discrimination are eliminated in the true democracy that we practice.

Thus we will give priority to the social protection of children, of women, of the elderly, of the incapacitated, and of all those who need a fraternal hand.

We propose to guarantee for every Argentine tutelage with regard to physical and mental health, improvement of the quality of life, and access to education and culture.

We will continue with our unmovable support of human rights throughout the world, and we reiterate our energetic condemnation of genocide, cruelty, and the degradation of human beings.

I want to ask women and young people for their special support, joining us, with their generosity and hope, in our ideals of a more participative community. Positions of power and responsibility are not denied to them, and I invite them to occupy these positions cheerfully and enthusiastically. [applause]

Women's good sense, courage, and talent has been allowing them, during the past six years, to play an increasingly significant role in production, leadership, social work, and the holding of public office.

Young people have to use their energy and will to improve their intellectual, labor, and militant capabilities to forge a better future. They must also foster their public spirit and their spirit of service. Youth must be educated and understood, not mutilated.

We have to allow opportunities and paths for young people to perform, believe, and grow reasonably and passionately. From young people we expect ideas; excellence; a practical and speculative know-how; and developments in science, the arts, trades, and professions for that genuine work culture that will forge the 21st century Argentina.

Another fundamental goal of the period we are beginning today involves guaranteeing federalism. The unitarian and centralist circle that has always attempted to prevent the interior of our country from playing a key role has not succeeded and will not succeed against us. We will comply with a constitutional provision enhancing provincial autonomies. We will, in particular, implement the constitutional status approved for the federal shared tax system. We will promote the provincial rights of creating regions, entering international agreements, and administrating provincial natural resources. Argentina's future today depends, as always, on the provinces becoming regions. [applause]

Within the institutional framework of the provinces and regions, we will propose, in addition to their own juris-

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dictions, an autonomous and decentralized administration for economic, social, cultural, health, neighborhood, popular, sports, and recreational activities.

In our opinion, the relationship between an autonomous municipality and liberty may be compared with that between a primary school and science. Without municipal institutions, we may have a free government, but will lack the spirity of liberty. A municipality alone guarantees social independence, stemming from its close relationship with citizens.

A federal democracy represents a dynamic democracy, based on coordinated relations among the provinces, between the provinces and their municipalities, and between the provinces and the federal government. These are the paths for a genuine institutional dialogue.

Concerning our economy, we believe a human being's labor, productive capabilities, and increasing know-how are and will continue to be his or her main resource.

Labor, which is the source of ownership and an effective source of well-being, is always compatible with the technical components of the economy and with the human requirements of society.

We are not morally considering an economy that minimizes or removes labor, which, as Pope John Paul II has said, represents an extension of God's creative work on earth. Society is not against the market system. Society merely requires that the market system be controlled by the social forces and the state. [applause]

It is necessary to break barriers and monopolies to allow the people's participation in development and also guarantee competition and the protection of users and consumers. [applause]

Creating employment as a dynamic production mechanism represents a key point of the new economic progress. Therefore, the technical training of workers will allow their full participation in production and development.

I am again saying that, as I have demolished inflation, I will demolish unemployment. [applause] Like [former Argentine president] General [Juan Domingo] Peron, I believe that human beings do not have to be at the service of the economy, but rather that the economy should be at the service of human beings, playing a social role. [applause]

We also have to provide for the control of natural and human environments, as they are not guaranteed by simple market mechanisms.

The duties of protecting and reclaiming the environment involve active responsibilities on the part of government officials and specific protection mechanisms.

Economic democracy requires us to control two resources; namely, public resources shared by all of us, the Treasury, and private resources, those owned by each one of us.

Therefore, the tax paid by each citizen is proportional to the personal situation and ability to pay.

A development and growth policy, within the framework of economic democracy, also requires available loans as a lever for investment, increased productivity, and entrepreneurial risk.

There is no development without productivity, productivity without investment, or investment without financing. Therefore, loans must be available to producers. Speculation does not support a productive economy. Loans must exist and assist, as they are inseparable from effective productivity.

The interests of various social sectors must be reconciled. Therefore, public interest will synthesize everyone's interest. This involves teamwork. As a playwright put it: "The only true hero is the one working in a group, never an individual or isolated hero."

Brothers and sisters: The time of localism gives way to continentalism and universalism. Therefore, we must prepare to become citizens of the world. The internationalization of law represents an effective mechanism for integration through constitutional treaties.

Therefore, we committed ourselves to participating in the "Blue Helmets" effort and creating the "White Helmets," thus expressing our effort to be helpful.

Economic integration deserves a special mention. The Common Market of the South [Mercosur] represents a new institutional encounter among ourselves. It is just beginning, but dynamically and hopefully opens a new period in our relations with our Latin American brothers.

Argentina has bet on integration with Brazil, Paraguay, and Uruguay, with open arms for the Ibero-American community.

We believe this new community represents a great solution and a reasonable and equitable strategy for coping with common problems.

The Mercosur represents a project to change thoughts, education, solidarity, standards of living, and coexistence. For us, this community represents a goal, and we are irrevocably committed to implementing it.

The Mercosur has been designed to achieve a new form of state. It does not merely represent a goal, but a means of releasing the material and moral energies of our countries through talent and initiatives, and by meeting a challenge.

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Our common market thrives within a democratic political organization that favors participative liberty; decentralization; and a market with competition, control, liberty, and solidarity.

This situation represents for us an initial stage that will evolve toward a federative inter-state organization encompassing the entire Americas.

Gentlemen, if in 1989 we said, with faith in Christ, "Argentina, rise and walk," now we are saying to our Lord: Help us to keep walking; help us to keep changing; help us to keep marching; help us to tread the only path of civilization and democracy; help us to tread the only path of humanity and peace; help us to march on the only path of achievement and integration with truth, justice, and solidarity.

God bless you all. Thank you very much.

Menem Swears in Cabinet Members, Others

PY0807164695 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1539 GMT 8 Jul 95

[FBIS Translated Text] Buenos Aires, 8 Jul (NA) — During a ceremony at the White Hall of Government House at noon today, the eight ministers confirmed by President Carlos Menem as cabinet members for his second term of office took their oaths of office before him.

Menem administered the oath of office to Interior Minister Carlos Corach; Foreign Minister Guido Di Tella; Economy Minister Domingo Cavallo; Defense Minister Oscar Camilion; Justice Minister Rodolfo Barra; Labor Minister Armando Caro Figueroa; Education Minister Jorge Rodriguez; and Alberto Mazza, the health and social action minister.

During the ceremony, Alberto Kohan, who was appointed secretary general of the presidency, replacing Eduardo Bauza, the new chief of cabinet, in this post, and Buenos Aires Mayor Jorge Dominguez also took their oaths of office.

Social Development Secretary Eduardo Amadeo; Maria Julia Alsogaray, the natural resources and human environment secretary; State Intelligence Secretary Hugo Anzorreguy; Public Functions Secretary Claudia Bello; Media Secretary Guillermo Seita; and Rear Admiral Carlos Alberto Marron, the new Military Household chief, also took their oaths of office.

Brazil

Commentator Views Unsuitability of Sivam Project

PY0607165095 Sao Paulo FOLHA DE SAO PAULO in Portuguese 29 Jun 95 Section 1 p 3

[Commentary by Rogerio Cezar de Cerqueira Leite: "Sivam and the Emperor of China"]

[FBIS Translated Text] Kowtow is a form of greeting that became customary during the Middle Period in China, after a lengthy period of agitation which followed the fall of the Han Dynasty in 208 A.D. It was used by foreign ambassadors and military chiefs when meeting the emperor of the Wei Dynasty or one of his representatives. The classic Kowtow gesture was a prostration of the entire body, signifying total submission to China, which was considered the "Sole Culture."

The interesting part of this ceremony, however, is that it originated from a progressive rite of what was historically the simple payment of tributes, by which weak countries reciprocated for the protection received from the central power. For this reason this diplomatic rite maintained the name of "System of Tributes."

It is also interesting that in languages as different as those deriving from Latin and the Mandarin, the same term implies "reverence" and "tax." Thus, to maintain its origin very clear, the Chinese tax system was symbolized by the exchange of gifts between the emperor and the ambassadors.

When for the first time Sivam [Amazon Region Surveillance System] had to be explained to the people, several justifications were dreamed up. First, it is a flight protection system. But no flight protection system, based on the costs of the three already working in Brazil, could cost more than $300 million. Having three of these systems, and after having operated them for years, if we are still incapable of establishing a fourth, it means something is very wrong.

Finally, during the implementation of the first three "Dacta" [presumably Air Traffic Control systems] there was a growing participation of engineering. Thus, the flight protection system does not justify hiring a foreign consortium.

The second justification of the Sivam was to control smuggling. First, it was said that it would be insufficient to merely detect traffickers: It would be necessary to intercept them, and that would demand an entire military and police paraphernalia of which we had no idea how much would it cost. But now we are surprised to hear the confession of an Aeronautics Ministry spokesman that Sivam is not even capable of detecting smugglers.

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Let us see why: Ground radars cannot detect planes flying at low altitude, and it is doubtful if airborne radar would be effective unless a large number of planes are kept in the air around the clock over the vast region. Image-producing radar is even more absurd, according to experts, because the data is inferior to that produced by orbiting satellites, and Brazil already has access to the European ERS-1 and will soon have access to the Canadian Radarsat.

Sivam would thus produce, at much higher cost, a service of a quality lower than that which can already be acquired through currently available technology. It is obvious that there are some difficulties. Embraer [Brazilian Aeronautics Company] would not sell a large number of planes to carry the radar; the Air Force and Infraero [Brazilian Airport Infrastructure Firm] would not implement a number of tasks — useless as they may be; and it would mean the end of those delicious trips abroad to buy equipment.

But let us consider a third justification for Sivam: the protection of the environment. ESCA [Automation and Control Systems Engineering] personnel are very smart: We, Brazilians, go weak at the knees when we talk about the preservation of the Amazon region. We are willing to do anything for that. But they were too daring. They included projects that were already underway. They did not do anything beyond that. They did not clearly explain that those programs were already paid for and in an advanced stage.

Sivam will produce a "map of the forest" — but this has already been done to a great extent by the INPE [National Institute of Space Research] and the Ibama [Brazilian Institute for the Environment]. Sivam will include an "economic and ecological zoning of the Amazon region" — but the Strategic Affairs Secretariat and the IBGE [Brazilian Institute of Geography and Statistics] are already doing this with the help of the states.

Sivam will detect the burning of fields in the region — but that service has been provided very efficiently for at least a decade by the Environment Monitoring Nucleus of Embrapa [Brazilian Agriculture and Livestock Research enterprise] and by Ibama. Sivam will build meteorological satellite image monitoring stations — but those images are already supplied fast through Internet by the INPE.

It must be clearly remembered that technical personnel who handle air traffic control are competent for the air traffic over Brazil, but are absolutely inadequate for multiple operations related to environment control. There is no technical reason, therefore, to tie traffic control to environment control, and this has not been done anywhere else in the world. That supposed integration is completely false and, since the part related to the environment is already being done outside the jurisdiction of Sivam, it will probably be abandoned.

Finally, the fourth justification, always mentioned in a covert way, was shown as a rhetorical device. It was said that Brazil would save the U.S. missile manufacturing company Raytheon together with 20 other associated companies but, in exchange, the U.S. Air Force would save our dear Embraer. One hand would wash the other. It would be a great Tucano deal [Tucanada] (Do not misunderstand: Tucano is the name of the planes Embraer would sell). But the Americans were apparently unaware of the deal. They called for bids, and Embraer was not chosen.

As you can see, everything in favor of Sivam has gone down the drain. Only the theory that this would become another tribute remains. That is, the effort and the urgency, almost a frenzy, our administration demonstrated so the Brazilian president could personally take to his American counterpart the news on the approval of the contract reminds us of the Chinese system of tributes, although the kowtow is today a little more simplified — at least in the external gesture, if not in the intention.

Decree-Law Establishes Auto Import Quotas

Terms of Decree Defined

95SM0402A Sao Paulo GAZETA MERCANTIL in Portuguese 14-15 Jun 95 pp A1, A3

[Article by Claudia Safatle: "Decree-Law on Auto Industry Signed"]

[FBIS Translated Text] Brasilia—The decree-law [MP] establishing a policy on imports, exports, and investment incentives in the automotive industry through 1999 was signed by President Fernando Henrique Cardoso yesterday. It is milder than the draft MP that was leaked to the press last week. It reduces from 18 to two percent the rate of import tax collected from assembly plants buying capital goods and basic inputs abroad.

The MP allows accelerated depreciation, at twice the normal rate, of the cost of acquiring or building machinery and equipment (the "precarious" version of the decree-law, as Minister of Finance Pedro Malan described it, tripled accelerated depreciation). And it limits imports between now and the end of the year to 50 percent of the total actually imported (and cleared through customs) from last January to yesterday, thus establishing a more flexible quota system for this year than the previous MP version. Those quotas also apply to sales by Argentina to Brazil.

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The terms of the decree-law represent the consensus reached between the Ministries of Finance, Planning, Industry and Commerce, and Foreign Affairs, with that last-named ministry being responsible for maintaining to the extent possible the integrity of the agreements signed within the framework of Mercosur [Common Market of the South] and the World Trade Organization (WTO). That, incidentally, is the president of the republic's way of deciding things: "consensus," this newspaper was told by a highly placed source in Planalto Palace. The president does not accept the principle of a minister of economy. "If there is any disagreement between Malan and Serra, it will have to be resolved by them," the same source said.

Strictly speaking, the government does not know exactly how many automobiles it will be able to import through the end of this year, because it does not have the statistics on how many were imported through yesterday. It thinks the figure may be somewhere between 100,000 and 120,000 vehicles.

The MP did not stipulate the ratio that importers will have to maintain between imports and exports. That will have to be negotiated with private enterprise, according to Minister of Industry and Commerce Dorothea Werneck. To calculate the exports that will determine that ratio, the government has set up an equation taking into account not only the F.O.B. [freight on board] value exported, but also direct investments made and acquisitions of machinery and equipment for addition to the permanent assets of the firms.

Official importers (of specific makes) and independent importers may be subject to import quotas not spelled out by the MP, and access to those quotas will be by auction, the winner being the one who pays the most import tax.

Assembly firms that use imported inputs will also have to submit an average domestic-content figure as provided in international agreements. That means an average of 60 percent—the same as the figure set by the Argentine Government.

According to the minister of planning, the entire structure of the decree-law is aimed at ensuring a "competitive" commercial opening-up of the automotive industry, not a step backward from the policy of opening-up. Why is it not old-style protectionism? Because imports will be cheaper and exports will also increase. "It is a sounder opening-up," said Serra.

The thing that made this decree-law necessary in the government's view was an "X-ray" of what is happening in the automotive firms. That X-ray does not bear out the avalanche of investment intentions reported to Fernando Henrique Cardoso's administration by the assembly firms over the past few months. "Those announced investments are not a reality," this newspaper was told by a source in the administration. According to that assessment, the fact is that big investments were actually going to Argentina.

"For us to achieve production of up to 3 million vehicles per year by the end of the century, our country will have to have investments of from $9 billion to $12 billion. The purpose of this MP is to stimulate investments in our country by that industry," the minister of industry and commerce said.

Talks with the Argentine Government, which now finds itself subjected to import quotas, will resume beginning now, and the idea is that starting in 1997, we will have a common set of automotive rules. The government also does not intend to say anything in advance about possible problems with the WTO. Minister of Foreign Affairs Luiz Felipe Lampreia said that the rules in the MP are not incompatible with the agreement with the World Trade Organization. But the government is getting its arguments ready just in case there are complaints from that area.

According to the government's calculations, the balance of payments deficit for the four assembly firms operating in this country—including imports and exports, remittances of profits, and so on—may total about $4 billion. Government sources argue that that figure is absolutely incredible.

ABEIVA

The president of the Brazilian Association of Automobile Importing Firms (ABEIVA), Emilio Julianelli, said yesterday that the cars already ordered will have to enter the country. According to him, 100,000 vehicles have been contracted for with no possibility of cancellation, and their entry into the country is guaranteed by law. Of that total, 40,000 are in Brazilian ports, 30,000 are on their way to Brazil, and the remaining 30,000 are being produced, according to the O GLOBO Agency.

"Those contracts are irreversible, and since we will have to pay the new rate of import tax, we wish to announce that prices are going to go up as a result," Julianelli said.

Julianelli admits that the figure in question is significant and that it represents 10 percent of the total domestic production planned for this year, or four percent more than its share of the market last year. But he is complaining about the establishment of quotas.

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Decree Impact Uncertain

95SM0402B Sao Paulo GAZETA MERCANTIL in Portuguese 14-15 Jun 95 p A3

[Article by Cristina Aby-Azar: "Impact of Decree-Law Still Uncertain"]

[FBIS Translated Text] Sao Paulo—Early yesterday afternoon, before the decree-law restricting automobile imports had even been announced by the government, the first signs of the far-reaching changes through which the Brazilian automotive industry will have to pass during the next few months were already beginning to appear.

The Suzano group's Vocal, the exclusive Volvo dealer in Sao Paulo, decided to cancel the celebration marking the opening of its new dealership in the Itaim neighborhood, which had been scheduled for this coming 26 June. "We will open only to provide maintenance for the existing fleet of approximately 1,500 cars in the capital. There is nothing to celebrate because we will not have anything to sell, and the only thing left for us is to hope that the administration's economic team comes to its senses," said one of the group's executives.

The dealer has only enough inventory for three months, and the future of its business with the Volvo make is uncertain. The new dealership alone, which occupies 3,000 square meters, represents an investment of $700,000.

Assembly firms with plants in Brazil have chosen once again to remain silent. They will not say anything until they have taken a thorough look at the new rules for the sector. Those rules were not announced until late in the evening. "The assembly firms do not know whether the decree-law will constitute a long-term policy for the sector or simply a temporary solution," said a source linked to one of the plants.

The assembly firms also do not know how the ratio between imports and exports is going to work. At first it was going to be 1:1, and it was supposed to have been established when the decree-law was published. The administration has postponed that decision and is promising to negotiate the best ratio with the firms.

If the ratio of 1:1 had applied from the start, Fiat would have had an advantage over its competitors Volkswagen, General Motors, and Ford, since its exports totaled the equivalent of $617 million last year.

Moreover, the Italian assembly firm has a well-defined globalization strategy enabling it to maintain a good balance in its business. For instance, it has concentrated all production of its Fiorito model, one of the best-selling light commercial trucks in Europe, in Brazil. Transmissions and engines for the Tempra model, which it assembles in Brazil, are now being produced in Argentina. And lastly, its model 178, which is still under development, will be distributed throughout the world from its plants in Brazil (an investment of $1 billion) and Argentina.

Contrary to speculations shortly before the measure restricting imports was announced, the Mercosur [Common Market of the South] countries are not being excluded. As a result, the French Renault and Peugeot makes will also be subject from now on to a 50-percent cut in imports in terms of the total recorded so far. "I am against the import quota system, especially because of the 70-percent duty, which is one of the highest in the world," said Thierry Peugeot, managing director of Peugeot of Brazil.

Between the start of the year and May, 9,212 Peugeot cars arrived in Brazil. Of that total, 29 percent came from Argentina and Uruguay, and 71 percent came from France. Mercosur's smaller participation during that period was merely a reflection of the collective vacations granted by the Argentine and Uruguayan assembly firms at the start of this year. In 1994, imports from Mercosur amounted to 52 percent of the total.

And Renault has brought 12,660 units to Brazil this year. Of that total, 6,597 vehicles came from France and 6,063 from Argentina, where Renaults are produced by Ciadea [local Renault subsidiary].

ABEIVA (Brazilian Association of Automobile Importing Firms) declined to talk about the decree-law, saying that it needed to familiarize itself with the details. The organization's president, Emilio Julianelli, held a press conference in the morning to announce the sector's performance in May, when sales were down 25.9 percent from April.

"The new drop in sales (a drop of 67.1 percent compared to March) proves that the higher tax was enough to inhibit the sector's performance," he said. Expressing hope that the government would reverse its decision to limit imports, he also added that the restrictions "would have the effect of turning the market into a cartel."

The tendency now on the part of importers without plants in Brazil is to revise their work strategies. They will probably choose to import cars that are more expensive and more advanced technologically, a step which, in addition to ensuring them a higher profit margin, will also worsen the domestic industry's ability to compete.

In such a scenario, the future in Brazil for makes such as Suzuki, which works almost exclusively with small automobiles, is uncertain. Suzuki's only medium-sized car, the Baleno, is very high priced at over $30,000.

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Even Renault, which has the advantage of being able to bring the Renault 19, its most popular model in Brazil, from Argentina, is leaning toward a review of its imports of the compact Twingo, which is manufactured exclusively in France and sold at a quite competitive price.

Expectations Regarding WTO

95SM0402C Sao Paulo GAZETA MERCANTIL in Portuguese 14-15 Jun 95 p A3

[Article by Maria Helena Tachinardi: "Expectations Regarding WTO"]

[FBIS Translated Text] Brasilia—The government is hoping that it will not have problems with the World Trade Organization (WTO) when it presents its decree-law on the automotive industry. "The measures establish an open system of exports and imports and do not restrict trade," said Ambassador Jose Botafogo Goncalves, chief of economic, integration, and foreign trade affairs in the Ministry of Foreign Affairs.

According to him, the ministry sent the text of the decree-law to the Brazilian delegation at the WTO in Geneva yesterday. The government does not intend to request a waiver from the WTO allowing it to implement the new foreign trade policy for the automotive industry, as it was thinking of doing earlier. The reason is that the government is convinced that Brazil's trade partners will not be affected by the measures reducing to two percent the import tax on inputs intended for use in production and on capital goods, a move that should lead to an increase in the flow of trade.

According to Botafogo, there are several procedures to be followed within the WTO, but if a country feels that it is being harmed, it can request bilateral consultations, which is exactly what happened when Brazil raised the import tax on cars from 32 to 70 percent.

The government is willing to discuss the MP [decree-law] with the Mercosur [Common Market of the South] countries. Contrary to what the Menem administration was hoping, car imports from Argentina are included in the rules established yesterday. Those rules restrict foreign purchases of vehicles to 50 percent of the number imported by Brazil since the beginning of the year.

The MP favors the establishment of a common regime for the automotive industry in Mercosur because, unlike Argentina, Brazil previously had no specific rules for that sector. The Argentine Embassy in Brasilia said yesterday that it wanted to study the text of the MP more closely before making a statement. Argentine sources said yesterday afternoon that they were moderately optimistic about the new measures even before becoming fully familiar with them.

The four Mercosur countries have until 1997 to outline a common regime for the automotive industry that will take effect on 1 January 2000. Among other things, that new regime will provide for free trade within the zone, an absence of domestic incentives, rules for the importation of parts and components for final assembly plants and parts producers, rules for vehicle imports, and the level of regional manufacturing content.

Text of Decree-Law

95SM0402D Sao Paulo GAZETA MERCANTIL in Portuguese 14-15 Jun 95 p A3

["Text" of decree-law dealing with vehicle import quotas: "Reduce Costs, Expand Investments and Exports"; introductory paragraph in boldface as published]

[FBIS Translated Text] **Here is the complete text of the explanatory statement and decree-law dealing with import quotas.**

Explanatory Statement

Dated [no date] June 1995.

Your Excellency the President of the Republic:

We have the honor to submit for Your Excellency's consideration a draft decree-law reducing the rate of import tax on the products it specifies and establishing other provisions.

In Your Excellency's administration, all efforts are being channeled into consolidating the stabilization of the economy and reducing the so-called "Brazil cost" as essential steps in resuming sustained growth. Those priorities are justified because without price stabilization and without a reduction in the "Brazil cost"—that is, the cost of producing goods and services in Brazil in comparison with our foreign competitors—it would be impossible to maintain high rates of expansion in production and investments.

The measure now being proposed is a response to the need to reduce the cost of domestic production, increase investments, and expand automotive sector exports by reducing to two percent the rate of import tax applied to capital goods and inputs for production.

It is also a response to the need to improve the situation in the balance of payments in both the medium and the long term. It should be noted that a greater openness to imports, with the simultaneous growth of exports and an inflow of foreign investment, is made possible within the context of an increase in the efficiency and competitiveness of the economy.

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The Brazilian automotive industry, integrated and diversified, includes both assemblers and manufacturers of passenger vehicles, utility vehicles, trucks, and buses as well as tractors, agricultural and roadbuilding equipment, excavators and forklifts, truck trailers and semitrailers, and parts, spares, and components, including tires, for the industry.

The importance of this industrial sector can be judged from the following indicators: it contributes about 11 percent of the industrial gross domestic product, bills over $16 billion annually, and provides about 700,000 direct jobs. Moreover, it is a sector with a strong ripple effect in other segments of the economy, and one which pays more than $4 billion in federal and state taxes every year.

The measure is of particular importance to that industry in view of the strong trend toward the sector's worldwide integration, a crucial element in the generation of economies of scale and the launching of worldwide products, both of which require access to cheap inputs and optimization of the production process on an international scale, those being determining factors in competitiveness.

It should also be recognized that it is imperative to provide a favorable environment for production and investment through stable rules for firms already established in our country and for attracting new domestic and foreign capital. In addition, the measure is aimed at favoring the establishment of rules for setting up the common automotive regime within Mercosur [Common Market of the South] as provided by Decision No. 29/94 of the Council of the Common Market. It should be noted that this decree-law establishes in Brazil an automotive regime similar to the one which has been in effect in Argentina since the end of 1991 and which was retained in the Ouro Preto Agreements.

Reaffirming the importance that Your Excellency's administration assigns to the integration process, this decree-law provides for the establishment of specific rules related to the industry's trade with the Mercosur countries.

Your Excellency's administration has already made tremendous gains in the lengthy process of stabilization. That is and will continue to be the country's chief asset in setting itself up as an attractive area for productive investments. The measure now being proposed supplements that stabilizing effort by Your Excellency's administration, dealing as it does with fundamental aspects of the industrial and foreign trade policies and thereby helping to build a sure path for the country's development.

Respectfully,

Pedro Sampaio Malan, Minister of State of Finance.

Jose Serra, Minister of State of Planning and Budget.

Dorothea Fonseca Furquim Werneck, Minister of State of Industry, Commerce, and Tourism.

Luiz Felipe Palmeira Lampreia, Minister of State of Foreign Affairs.

Decree-Law No. [no number] dated [no day or month] 1995

This decree-law reduces the rate of import tax on the products it specifies and establishes other provisions.

The president of the Republic, exercising the powers conferred on him by Article 62 of the Constitution, adopts the following decree-law with force of law.

Article 1: Until 31 December 1999, the rate of import tax on the following products is reduced to two percent:

I. New machinery and equipment, including that for testing purposes, tools, molds, industrial and quality control instruments and apparatus, and the respective accessories, spares, replacement parts, and models for molds.

II. Raw materials, parts, pieces, components, assemblies, and subassemblies.

Paragraph 1. The provisions of the first paragraph of this article apply to firms engaged in the assembly and manufacture of the following:

a) Passenger and mixed-use vehicles and jeeps.

b) Station wagons, vans, pickups, and similar vehicles.

c) Vehicles for the transport of goods and the collective transportation of passengers.

d) Farm tractors and harvesters.

e) Tractors, roadbuilding machinery, excavators, and forklifts.

f) Bodies for automotive vehicles in general.

g) Trailers and semitrailers used to transport goods.

h) Parts, pieces, components, and assemblies and subassemblies, finished or unfinished, and tires intended for the products listed in the preceding subparagraphs.

Paragraph 2: The products referred to in subsections I and II of this article must be added to the firm's permanent assets or used in its production process, their resale being prohibited except in the cases and under the conditions set forth in the implementing regulations.

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Article 2: The executive branch may establish the ratio between:

I. The total F.O.B. [freight on board] value of imports of the products listed in article 1, subsection II, added to the total F.O.B. value of imports of the products listed in paragraph 1, subparagraphs a) through c) of the same article, and the total value of net exports effected in each calendar year, by firm.

II. The F.O.B. value of imports of each of the products listed in article 1, subsection II and the total F.O.B. value of all imports of the same products effected in each calendar year, by firm.

III. The value of acquisitions on the domestic market of the products listed in article 1, subsection I and the total F.O.B. value of imports of the same products effected in each calendar year, by firm.

IV. The total F.O.B. value of imports of the products listed in article 1, paragraph 1, subparagraphs a) through c) and the value of net exports effected in each calendar year, by firm.

Paragraph 1. For the purposes of this article, imports made through the intermediary of third parties are included.

Paragraph 2. Net exports are considered to be the F.O.B. value of exports of the products listed in article 1, paragraph 1 as transacted in convertible currency, minus the following:

a) The F.O.B. value of imports made under the drawback system.

b) The value of the commission paid or credited to an agent or representative abroad.

c) The value corresponding to remittances of profits, dividends, and royalties.

Paragraph 3. In calculating the net exports referred to in this article, exports made without exchange cover will not be taken into account.

Paragraph 4. The sanctions applicable in cases of noncompliance with the provisions of the first paragraph of this article shall be set forth in implementing regulations, provided, that such sanctions may not exceed 100 percent of the total F.O.B. value of the products listed in article 1, subsection II and in paragraph 1, subparagraphs a) through c) of that same article.

Article 3. For the purposes of the preceding article, the following shall be included in exports after deduction of the value of the commission paid or credited to an agent or representative abroad:

I. Sales to commercial export firms, including those established under the terms of Decree-Law No. 1,248 dated 29 November 1972, in the amount of the manufacturer's invoice to the exporting firm.

II. Exports made through fully owned subsidiaries.

Article 4. Subject to the percentages established in implementing regulations, net exports may also include amounts corresponding to the following:

I. The F.O.B. value of exports in each calendar year, by firm, of the products listed in article 1, paragraph 1, subparagraphs a) through e).

II. Acquisitions of new machinery and equipment, including that for testing purposes, tools, molds, industrial and quality control instruments and apparatus, and their accessories, spares, replacement parts, and models for molds, provided that they are added to the firm's permanent assets.

III. Direct investments in the form of foreign currency and reinvestments registered with the Central Bank of Brazil in the name of the firm during each calendar year.

Article 5. For the purposes of article 2, subsection III; article 4, subsection II; and article 7, amounts will be computed in U.S. dollars, provided, that for the purpose of conversion, the average foreign exchange buying rate at free rates as announced by the Central Bank of Brazil on the invoice will be used.

Article 6. Firms manufacturing the products referred to in article 1, paragraph 1, subparagraph h) and exporting the products listed therein to parent companies or affiliated companies of firms operating in Brazil and assembling or manufacturing the products listed in article 1, paragraph 1, subparagraphs a) through g) may transfer to the latter the value of net exports related to those products.

Article 7. For the purposes of this decree-law, firms manufacturing the products listed in paragraph 1, subparagraphs a) through g) and using the imported inputs listed in subsection II of that same article in the production of said products are required to report the average level of domestic content as provided in international agreements to which Brazil is a party.

Paragraph 1. Implementing regulations may establish a minimum percentage of domestically produced parts, pieces, components, assemblies and subassemblies, the said percentage to be determined in relation to the total value of those products used in overall production by the firms referred to in the first paragraph of this article.

Paragraph 2. The provisions of this article do not apply to products manufactured exclusively for export.

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Article 8. Specific rules will be established to govern trade in the products listed in article 1 as carried on within the framework of Mercosur [Common Market of the South] so as to ensure compliance with the automotive regime provided for in Decision No. 29/94 of the Common Market Council.

Article 9. In cases where the products listed in article 1, paragraph 1, subparagraphs a) through c), are imported by individuals or legal entities not covered by the provisions of the preceding articles or by manufacturers of the products listed in subparagraphs d) through h) of the same article, the executive branch is authorized, when necessary for reasons of an economic nature, to establish quantitative limits.

Single paragraph. When the provisions of this article are applied for the reasons stated, distribution of the quantity that may be imported will be determined by a public bidding procedure as provided by implementing regulations, and the winners shall be, in decreasing order, those bidders showing the largest increase in import tax payments as determined by the rates in effect on the date of the public bidding.

Article 10. During the period between the date on which this decree-law is published and 31 December 1995, total imports of the products listed in article 1, paragraph 1, subparagraphs a) through c) may not exceed 50 percent of the number of imported units of those products that were cleared through customs between 1 January 1995 and the day prior to the date on which this decree-law is published.

Paragraph 1. The right to import products covered by legal contracts of an irrevocable and irreversible nature that were signed on a date prior to the date on which this decree-law is published is guaranteed, provided that they are covered by import licenses properly issued before the date on which this decree-law is published.

Paragraph 2. Distribution of the quantity that may be imported as provided in the first paragraph of this article, after deduction of the units imported under the provisions of the preceding paragraph, will be effected under the terms of article 9, single paragraph.

Article 11. Customs clearance of the products referred to in article 1, paragraph 1, subparagraphs a) through c) is dependent upon presentation of the following documents, without prejudice to any other legal requirements and regulations:

I. Certificate of compliance with national transit legislation.

II. Certificate of compliance with the environmental standards set forth in Law No. 8,723 dated 28 October 1993.

Article 12. The provisions of the preceding articles will apply to firms that manufacture the products listed in article 1, paragraph 1, subparagraphs a) through g) and establish themselves in Brazil in the future, provided that:

I. The products manufactured comply with the provisions of the first paragraph of article 7 within 36 months counting from the date on which they begin to market the said products.

II. They comply with the provisions of article 7, paragraph 1.

Single paragraph. Initially, for the purpose of calculating their net exports as provided in article 2, the firms referred to in this article will use a period of 18 months counting from the date on which they effect their first clearance through customs of the products referred to in article 1, subsection I. After that period, the calendar year will apply.

Article 13. The provisions of the preceding articles shall not apply to firms signing special export commitments drawn up under the terms of Decree-Laws No. 1,219 dated 15 May 1972 and No. 2,433 dated 19 May 1988 until the Ministry of Industry, Commerce, and Tourism declares, as provided by the relevant legislation, that they have lived up to their respective commitments.

Article 14. Effective on the date of publication of this decree-law, import licenses covering the products listed in article 1, paragraph 1, subparagraphs a) through c) will be issued:

I. Until 31 December 1995, when the conditions established in article 10, paragraph 2 have been complied with.

II. After the date referred to in the preceding subsection, in the case of firms assembling or manufacturing the products listed in article 1, paragraph 1, subparagraphs a) through c) and qualifying under the terms of the following article for the purposes of article 9, single paragraph.

Article 15. The executive branch may issue regulations setting forth the conditions under which firms may qualify for the treatment referred to in the preceding articles, as well as the necessary control mechanisms for verifying faithful compliance with the provisions of this decree-law.

Single paragraph. Application of the import tax rate referred to in article 1, as well as imports by firms

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assembling or manufacturing the products listed in article 1, paragraph 1, subparagraphs a) through c) of the products listed in those subparagraphs, will depend upon presentation by the firms of proof that they qualify as described in the first paragraph of this article.

Article 16. Legal entities taxed on the basis of real profits may apply for accelerated depreciation, in an amount corresponding to the amount of normal depreciation and without prejudice to the latter, to the cost of acquisition or construction of new machinery, equipment, apparatus, and instruments listed in the Annex to Law No. 9,000 dated 16 March 1995, provided that the date of acquisition falls between the date of publication of this decree-law and 31 December 1995, and provided that those items are used in the acquiring entity's production process.

Paragraph 1. The amount of accelerated depreciation will be excluded from net profit and will be entered in the book for the determination of real profit.

Paragraph 2. Accumulated depreciation may not exceed the acquisition cost of the property converted into the UFIR [reference fiscal unit] amount as provided by relevant legislation.

Paragraph 3. Beginning in the month in which the maximum amount referred to in the preceding paragraph is reached, normal depreciation as recorded on the company's books must be added to net profit in order to determine the real profit.

Paragraph 4. The provisions of this article apply to the goods referred to in this article when those goods are the subject of a commercial lease.

Paragraph 5. The treatment referred to in this article may not be combined in a cumulative manner with other tax treatment of the same nature.

Article 17. The tax treatment provided in this decree-law depends upon proof by the taxpayer that he has paid all federal taxes and contributions.

Article 18. Within 90 days, the executive branch will submit a bill to the National Congress for the purpose of carrying out the provisions of articles 56 and 57 of Law No. 8,931 dated 22 December 1994.

Article 19. This decree-law takes effect on the date of its publication.

Brasilia, [no date] [no month] 1995, the 174th year of independence and the 104th year of the Republic.

Deputies Rank Influence of Cabinet Members

95SM0389B Sao Paulo VEJA in Portuguese 6 Jun 95 p A-0

[Article by Brasilia correspondent Eliane Cantanhede: "Serra Is the Most Influential"]

[FBIS Translated Text] A poll taken of 403 deputies in Congress (79 percent of the total) shows that most of them (61.3 percent) consider Minister of Planning Jose Serra to be the member of the Fernando Henrique Cardoso administration that, in general, has the most influence on its decisions. After him came Minister of Communications Sergio Motta, mentioned by 54.4 percent and—ranking only third—Minister of Finance Pedro Malan, with 36.5 percent.

Serra, who is a personal friend of the president of the Republic, has served as a federal deputy, and ended up being the country's biggest vote-getter in a Senate race, was also mentioned by a majority of the deputies (42.5 percent) as being the most influential in his specific area of responsibility. On that question, however, Motta and Malan swapped places: The finance minister is considered the second most influential by 33.3 percent, while the communications minister was close behind him, with 31.4 percent.

The survey was taken by IBEP [Brazilian Institute of Political Studies] between 30 May and 1 June, when Persio Arida resigned as head of the Central Bank. Strangely, the strongest perception of the power of the planning minister in the opposition government came from the PT [Workers Party] delegation, 80 percent of whom cited Serra as the most influential. This impression was then ratified by the PSDB [Brazilian Social Democracy Party], the president's and Serra's own party; 75.6 percent of tucanos are certain of that.

The man primarily responsible for the poll, political scientist and IBEP owner Walder de Goes, points out that the two regional delegations that best perceived the internal clout of Jose Serra in the administration were the north (64.7 percent) and northeast (64.9 percent). He explained this by saying: "It's the old northern and northeastern political realism. There they have a well-trained nose for power; they can pick up the smell and taste of power from far away...."

Ruth Is Mentioned

An interesting detail about the survey: 1.8 percent of respondents cited First Lady Ruth Cardoso, anthropologist and president of the Community Solidarity Program, as an influential member of the Fernando Henrique Cardoso administration. In this case, the deputies from the north contributed by far the largest number of votes:

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38.2 percent of the 1.8 percent total, while in the south the First Lady got 20.4 percent; in the northeast, 12.8 percent; in the southeast, 8.6 percent; and in the west central, 8 percent.

The only minister who did not get a single vote from the 403 deputies was Jose Israel Vargas, of Science and Technology, followed closely by Paulo Paiva, of Labor, and Francisco Weffort, of Culture (0.3 percent each) and "King" Pele, of Sports (with only 0.6 percent). Despite always being the center of attention at public ceremonies and in his appearances in Brasilia, the aging soccer star has been unable to convince legislators that he has any real influence on the course of the government.

In general, one can conclude that legislators identify proximity to the president of the Republic with ability to influence government decisions—so much so that the votes did not go to ministers holding traditionally powerful portfolios—such as Industry and Commerce, Transportation, or Mines and Energy. Instead, they entered the names closest to Fernando Henrique. In order: Serra, Motta, Malan, Clovis Carvalho (Civilian Household), Nelson Jobim (Justice), Ruth Cardoso, Eduardo Jorge Caldas Pereira (Secretary General of the Presidency) and Paulo Renato de Souza (Education). All of them received more than 10 percent of the votes.

Most Approve President's Performance

Although the constitutional reforms proposed by the administration are being approved on the floor of Congress by an average of 74 percent of the Chamber (the lowest percentage was 70 percent, on telecommunications), that result is not reflected in the appraisal federal deputies make of President Fernando Henrique Cardoso's performance.

According to the survey of 403 deputies (79 percent of the total), only 60.4 percent of them have a favorable opinion of Fernando Henrique; 26.3 percent recorded a negative evaluation, and 13.3 percent preferred to say they do not know, or simply refused to answer. This is still a high approval rate, but less than the votes on the constitutional reforms would indicate.

Of the government parties, the one that contributed the least to the favorable assessment was the largest and most divided of all: the PMDB [Brazilian Democratic Movement Party], of which 59 percent of deputies considered the presidential performance to be positive; 24.6 percent take a negative view, and 16.4 percent did not know or did not want to answer.

In compensation, the PSDB lent 87.8 percent toward the favorable rating and the PFL [Liberal Front Party] 86.8 percent. Immediately below this was the PPR [Progressive Renewal Party], with 75.9 percent, and the PP [Progressive Party], with 75 percent. At the other end of the scale, the PT went radical: Only 5 percent of its deputies thought well of the president's performance, 87.5 percent said it was negative, and 7.5 percent either didn't know or preferred not to answer.

In regional terms, the group that most fully opted for the "positive" was the northeast, traditionally more closely tied to the governments and more submissive to Brasilia. In all, 64.9 percent of northeastern deputies rated the president's performance favorably. Meanwhile, in the west central region, that percentage fell significantly, to 44 percent.

FHC's Performance as Seen by Congress(In Percent)

	Positive Evaluation	Negative Evaluation	Don't Know/Didn't Answer
Total of the Chamber	60.4	26.3	13.3
By Party:			
PMDB	59.0	24.6	16.4
PFL	86.8	5.7	7.5
PSDB	87.8	2.4	9.8
PPR	75.9	10.3	13.8
PT	5.0	87.5	7.5
PP	75.0	12.5	12.5
PDT [Democratic Labor Party]	15.8	63.1	21.1

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	Positive Evaluation	Negative Evaluation	Don't Know/Didn't Answer
D[1]	66.6	16.7	16.7
E[2]	13.0	65.3	21.7
By Region:			
North	61.8	29.4	8.8
NE	64.9	24.5	10.6
W. Central	44.0	36.0	20.0
SE	56.1	26.7	17.2
South	53.0	38.8	8.2

[1]Parties of the Right: PTB [Brazilian Labor Party], PL [Liberal Party], PSC [Social Christian Party], PRN [National Reconstruction Party], and PRP [Progressive Republican Party].

[2]Parties of the Left: PSB [Brazilian Socialist Party], PC do B [Communist Party of Brazil], PMN [National Mobilization Party], PPS [Socialist People's Party], and PV [Green Party].

Source: IBEP

First Indigenous Submarine in Final Tests

95SM0405B Rio de Janeiro O GLOBO in Portuguese 11 Jun 95 p 13

[Article by Monica Torres Maia: "Navy Gets Its First Domestically Built Submarine"]

[FBIS Translated Text] Latitude 22°52'52"; longitude 48°10'32". In the control room, the sonar warned that a vessel was approaching. The executive officer ran to the periscope; the crew bustled about. That scene was taking place not in some Hollywood movie but in Guanabara Bay last Tuesday. More specifically, at the Navy Arsenal dock, where 40 men were watching an enemy ship's simulated approach to the Tamoio, the first submarine ever built in Brazil. The Tamoio is in its final phase of tests and will be commissioned at the end of this month.

"Besides us, only the United States, Great Britain, France, Italy, Sweden, Germany, Norway, and Russia are capable of this," said Commander Flavio de Moraes Leme, captain of the Tamoio.

The initial kickoff took place 13 years ago. In 1982, the Navy signed two contracts with the German consortium Ferrostaal/HDW calling for the construction of diesel-electric powered submarines. Two years later, after the financial negotiations were complete, construction of the submarine Tupi began in Germany. Seventy military and civilian engineers and technicians underwent a year of intensive training. And they came home ready to do their job.

Construction of the Tamoio began at the Navy Arsenal in 1988. Risk was involved: a submarine of that type, the most modern of its kind, takes up to 12 years to complete. But it was worth it, says Navy engineer Captain Lauro Reis Salgado.

"It took six years. The Germans sent the material, and they have only one supervisor here."

Each submarine costs $200 million. Now the Navy is building the Timbira and the Tapajos. The first step is to build a steel hull three times stronger than those on surface ships. That hull is hardened in the boilers at Nuclebras Heavy Equipment, Inc. and shipped to the arsenal. It arrives in four sections: stern, bow, and two central sections. In the shop, each section is painted and fitted with equipment and internal structures. Then the submarine, still in sections, goes to the floating dock, where it is welded and, finally, launched.

Brazil is currently negotiating with the Germans for construction of a fifth submarine. The big problem today is the project for a nuclear-powered submarine. That project, which is being handled by the Coordinating Office for Special Projects (Copesp) in Sao Paulo, is at least 10 years behind schedule, according to one admiral. Owing to budget cuts, construction of the nuclear reactor will not be completed until the end of the decade. If the amount of money for the project is increased, the Brazilian nuclear-powered submarine will probably be launched in 2010.

"We are building the hull, but development of the technology specific to the reactor remains to be completed," an official complained.

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Eight Torpedo Tubes

The Tamoio, Timbira, and Tapajos are IKL-209-1400 submarines. They have eight torpedo tubes. The command at the Navy Arsenal is keeping their fire capabilities secret, but experts claim that each torpedo is capable of sinking a ship—making it the ideal weapon for a vessel whose mission is to patrol Brazilian waters.

Measuring 61.2 meters in length, [each submarine] weighs 1,400 metric tons when surfaced and 1,550 metric tons when submerged. Its speed is also a secret.

"For security reasons, I cannot reveal details. All I can tell you is that we can reach a speed of over 20 knots (miles per hour)," says the captain of the Tamoio, Flavio de Moraes Leme.

The depth to which the submarine can submerge is also a secret:

"Over 200 meters" is all the captain would say.

Colombia

Samper: Conditions Right To Broaden Talks With U.S.

PA0907011095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2320 GMT 8 Jul 95

[From the "Up to the Minute, Caracol Newscast"]

[FBIS Translated Text] [Announcer] We now have a report from Buenos Aires, Argentina. The Argentine president has taken office again. Colombian President Ernesto Samper Pizano is there as a special guest, and Caracol's special envoy Carlos Ruiz has the report.

[Ruiz, in progress] ...its attitude toward Colombia in light of recent successes by the country's authorities in the struggle against drug traffickers, some of which have been arrested, and others, such as Phanor Arizabaleta, who decided to surrender this afternoon in Santa Fe de Bogota.

U.S. President Bill Clinton has offered Colombian President Ernesto Samper Pizano all necessary cooperation in the spirit of camaraderie that characterized the talks at the Miami summit, where the leaders of the Americas met a few months ago. During the summit, procedures were established to improve commercial relations between Colombia and the United States.

President Bill Clinton sent a delegation to the second inauguration of Carlos Saul Menem as president of Argentina. That delegation met this afternoon with President Samper.

The delegation, headed by a legal adviser to the U.S. President as well as the U.S. under secretary of state, has offered to speak to U.S. Attorney General Janet Reno to get the United States to resume supplying Colombia with legal evidence, which would allow the Colombian authorities to have the necessary evidence to severely penalize Colombian drug traffickers and criminals.

The U.S. Government is now asking that Colombia modify criminal legislation to ensure severe sentences for convicted drug traffickers and money launderers, including the loss of illegally acquired properties, because President Clinton considers this a crucial step in the struggle against drug traffickers.

President Bill Clinton sent a message to President Ernesto Samper with the delegation that is here in Buenos Aires and with whom President Samper met this afternoon in the Alvear Hotel in Buenos Aires. President Clinton's message said: I believe it is very important that these criminals, once arrested, be brought to trial under the full weight of the law and that they be given sentences proportionate with the seriousness of their crimes,

President Samper has stressed that from now on Colombia and the United States are speaking another language. Undoubtedly, President Clinton's message and the capture or surrender of Cali Cartel leaders ameliorates the atmosphere between Colombia and the United States so the two countries may now speak about issues other than drug trafficking, such as economic cooperation.

[Begin Samper recording] But we are also going to talk about — and this was the main purpose of the meeting — other topics of interest to Colombia and the United States, such as broadening commercial opportunities, creating mechanisms of understanding, promoting investments of both countries in their respective spheres of influences, and the importance Colombia will have in the presidency of the Nonaligned Movement and what this may represent by including better levels of income distribution and better environmental protection as points on the agenda we have set out for October in Cartagena.

Thus we begin to discuss other topics. I believe the most important news is that we have determined during this meeting that Colombia and the United States have to speak to one another not just about drug trafficking and the struggle against drugs but about other issues of interest to both countries. [end recording]

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Samper Confirms Surrender of Cali Cartel's Arizabaleta

PA0907000895 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2240 GMT 8 Jul 95

[Report by Carlos Ruiz, special envoy in Buenos Aires]

[FBIS Translated Text] Good afternoon, Caracol listeners. Your attention, please: President Samper has just confirmed to Caracol Network that Phanor Arizabaleta, one of the Cali Cartel leaders, has surrendered, just as the first Colombian radio network has been reporting for the past several minutes.

Phanor Arizabaleta's surrender is one more step in the dismantlement of the Cali drug trafficking cartel, President Samper said in reply to a question from Caracol at a news conference he is holding right now at the Alvear Palace Hotel in Buenos Aires with Argentine reporters, reporters from other countries, and obviously Colombian reporters. President Samper has received the news of Phanor Arizabaleta's surrender with satisfaction and has also commented on the message sent to him by President Bill Clinton stressing the Colombian Government's efforts to fight drug traffickers.

[Begin Samper recording] The Colombian Government notes with satisfaction that the policy of dismantling the Cali Cartel, which we set out to accomplish at the beginning of this year, continues to bear fruit. Mr. Arizabaleta's surrender makes it five of the seven persons who were listed as strategically responsible for Cali Cartel operations. I also understand that the cartel's financial boss was captured. That means Colombia is significantly dismantling the cartel, but we are not declaring ourselves victorious, nor do we want to sleep on these successes. It is important for the country that we emerge once and for all from this drug trafficking nightmare. The important thing is that we definitely eradicate any [words indistinct] of this scourge, which has afflicted us for many years as a sort of curse. The important thing about that we are doing is that the international community must clearly understand the Colombian Government's political resolve to do its part in this struggle against drug trafficking. Each of these results encourages us and gives us the opportunity to ask the international community to make their own efforts, especially to reduce demand. [end recording]

Phanor Arizabaleta Makes Statement Upon Surrender

PA0907013195 Santa Fe de Bogota Emisoras Caracol Network in Spanish 2300 GMT 8 Jul 95

[Report by Luis Guillermo Sanchez from the Administrative Department of Security headquarters; from the "Up to the Minute, Caracol Newscast"]

[FBIS Translated Text] Good afternoon. Alleged drug trafficker Phanor Arizabaleta Arzayus, who voluntarily surrendered to the Administrative Department of Security [DAS], is now being presented to the national and international media — television, press, and radio.

He is wearing a blue suit and is impeccably dressed. His shirt is also blue and his shoes are black. He appears calm. He is being presented to the media here at DAS headquarters. Reporters are asking him questions but he refuses to answer.

DAS Director Ramiro Bejarano will give us the details of this arrest later.

Arizabaleta has entered a cell at DAS headquarters, where he will reportedly remain until the authorities decide to take him somewhere else.

According to a DAS bulletin, Phanor Arizabaleta Arzayus surrendered to DAS Director Ramiro Bejarano today at 1600 following an earlier appearance at the installation by Arizabaleta's attorney.

The surrender took place at 30th and 19th Streets.

As in other similar cases, a document was drafted. In drafting the document, the DAS director took into consideration a prototype that had been discussed and agreed upon several days earlier with the prosecutor general.

According to Mr. Bejarano, Phanor Arizabaleta will remain at DAS installations until he is placed at the disposal of the Prosecutor General's Office.

The national government has affirmed once again that it will maintain its operations against criminal organizations to arrest the other individuals wanted by the law and to dismantle the drug trafficking business.

The DAS thus announced the surrender of Phanor Arizabaleta:

Santa Fe de Bogota. Mr. Phanor Arizabaleta Arzayus presented himself at DAS installations on 8 July 1995 at 1600. He presented citizenship identification card No. 2,879,530, issued in Santa Fe de Bogota. He said the following:

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I wish, and it is my will, to surrender to the law. I will respond to charges of crimes of which I have been accused. I am sure I will be able to prove my innocence.

With my action I am expressing my will. This is not a decision I have not considered, but I want to state the following: My willingness to surrender to justice was bolstered by the persuasive influence of Jose Santacruz Londono, who has told me this is the best option. He convinced me I should voluntarily surrender to justice, which I am doing on the advice of a person who is enduring the consequences of a capture and who reached me to give me the best advice.

Once this information was known, the official who signed this document reported the following: Attorney Alvaro Varga Londono, with professional identification card No. 23147, issued by the Justice Ministry, informed us by telephone of Phanor Arizabaleta's decision to present himself to the authorities.

Botero: Focus on Cali Favors Other Cartels

95CA0295A Santa Fe de Bogota EL ESPECTADOR in Spanish 25 Jun 95 p 5A

[Interview with Defense Minister Fernando Botero by staff writer Nelson Freddy Padilla C.; place and date not given]

[FBIS Translated Text] Santa Fe de Bogota—The breakup of the Cali Cartel must occur swiftly because the concentration of forces in this city is fostering other drug trafficking organizations that are already a considerable menace.

In an interview with EL ESPECTADOR, Defense Minister Fernando Botero Zea explains the situation and the weapons being prepared to deal with it, which were studied with United States authorities during the past two weeks.

[Padilla] Is the reactivation of the Medellin Cartel from the prisons a reality?

[Botero] There is great concern on the part of the regional authorities regarding this problem, and it is shared by the deputy prosecutor general. This is being investigated on the Defense Ministry level, because there are some signs pointing to a partial, different resurgence of this group, basically for drug trafficking.

[Padilla] And what is known about this Mafia's other organizations?

[Botero] The drug traffic embraces far more than what is called the Cali Cartel. There are many other organizations on the national level that have partially benefited from the focusing of efforts on Cali, because they are operating under highly favorable conditions. Hence, one of the most important issues for the future is to learn how to expend a major effort against still incipient groups that have not managed to become consolidated but are participating actively in the business.

[Padilla] Does this mean that there are different cartels growing?

[Botero] That is happening now to some extent, much against the government's will. But there are, unquestionably, organizations that have benefited greatly from the focusing of efforts on Cali.

[Padilla] Which ones, specifically?

[Botero] For example, persons operating on the Atlantic Coast, to cite one case: and the Llanos [Plains] Cartel, to give you another. The priority for the government is to ensure that there is a short-term solution to the problem in Cali and northern Valle, whether through the capture or surrender of the persons being sought. The aim is to be able to concentrate resources on other organizations as well, such as those in Pereira and Ibague.

[Padilla] To achieve this, will the government resort to the same system of special task forces?

[Botero] The government is currently analyzing this question, and considering different strategies, because it does not think that the battle against the drug traffic will end during this phase, but rather will have to be continued and expanded. The experience with the special task forces is a useful model.

[Padilla] Will there be several special task forces over the short term?

[Botero] Yes, that is one of the possibilities.

[Padilla] And what happened to the drug trafficking organizations on San Andres after the island's militarization?

[Botero] The use made of San Andres for drug trafficking purposes at other times has been totally curbed. The military measures are quite severe. Nevertheless, they have produced negative effects on tourism, because such a strong military presence also drives the tourist away.

[Padilla] Is anything being done to prevent that bad result?

[Botero] Yes, we shall attempt to correct it without sacrificing the goal of preventing the island from being used for illicit activities. For the present, we shall order a slightly lower profile, and not giving so much publicity to the operations, because people are not inclined to visit a site filled with soldiers.

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[Padilla] But from a security standpoint, does the authorities' action preclude the possibility of the presumed U.S. invasion?

[Botero] The invasion was never a possibility, but San Andres was, in fact, a very critical issue for national security and binational relations with the United States. The effect from the security standpoint is that the drug traffic is no longer an issue on San Andres. A few months ago, in the United States, it was something big, and very important; but now it is not the main issue in Washington, because the island's use for drug trafficking purposes is zero.

[Padilla] So, did the U.S. pressure decline after your recent visit to Washington?

[Botero] The most important thing is that there is a highly significant change of position in Washington, which began even before the capture of Gilberto Rodriguez. There had been an easing of tensions since March, but the change obviously was achieved through recent events, which are giving President Samper's government great credibility in the United States.

[Padilla] Was the U.S. response to your visit an offer of more antidrug assistance?

[Botero] Yes, the subject of assistance was discussed, and strong emphasis was placed on the program to eradicate illicit crops, which is viewed there as one of the most promising on the international level. So much so, that there is a very keen interest in the United States for linking Peru, Bolivia, and the Southeast Asian countries in eradication programs, based on our experience.

[Padilla] But what will the new assistance for Colombia consist of?

[Botero] There will be more aid for air transport, and armor-plating for helicopters and airplanes, as well as technical advice and pilot training.

[Padilla] Does this mean that more armored aircraft will be arriving to fumigate, as the pilots attacked by the guerrillas had demanded?

[Botero] There will be more (Turbothrush amd Bell 212) airplanes and helicopters for fumigation. The present and new equipment will certainly be armored-plated with a special material.

Highlights of Previous Legislative Session

95CA0285A Santa Fe de Bogota SEMANA in Spanish 20 Jun 95 p 42

[Article: "Positive Record"]

[FBIS Translated Text] If the end of this legislative session is to be remembered for anything, it will be for the bomb that exploded in the rear portion of the Capitol last Thursday. And yet, this may be unfair to both the Congress and the government. As this edition was going to press, many of the bills which the government had submitted to Parliament had been passed. An equal number was waiting to be handled over the weekend: the Television Law, National Development Plan, and a bill left pending before several legislative sessions and impossible to delay any longer—the Statutory Law on the Administration of Justice—was passed. In the international realm, laws of far-reaching importance such as the Geneva Protocol II, G-3, and the World Trade Organization Treaty were approved. Likewise, the much-trumpeted Anticorruption Statute passed. In addition, defying all predictions, the Culture Law was practically ready—a law which, in truth, the government improved considerably over the original version.

The intensity with which the congressmen worked is surprising, particularly when one realizes that, in addition to the president's fight with Congress and because of the government's proposal to reform the Constitution, this legislature had been written off as recently as a month ago.

The fact that the government managed to get out much of what it proposed is largely due to the intervention of Minister of Justice Nestor Humberto Martinez, who became the star of the legislative session. Even though, as soon as he took office at the first Cabinet meeting, Martinez was already shaping up as the most serious as well as the most efficient minister, his effectiveness transcended the purely executive realm. Despite his image as a technocrat, the current head of the Justice Department showed great skill in dealing with politicians, and exhibited his talents during debate on the Anticorruption Statute and the Statutory Law on the Administration of Justice.

All things considered, Martinez turned into a kind of St. George facing the dragons in the Legislature. Just as at the end of last year he managed to sink the drug bill, in the final stretch of the congressional session he blocked several goals—such as the attempt to pull the rug from under the system of anonymous judges and prosecutors—which nearly slipped through in the Senate.

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It was precisely in the Senate that the minister had the most headaches. The Upper Chamber hurriedly pushed the legislative rider to the drug bill, until the representatives blocked it. It was there also that the system of anonymous judges and prosecutors nearly went down to defeat, while, in the Chamber of Deputies, the measure failed from the very beginning and its authors were harshly condemned by their colleagues.

Even more important than the volume of work done by Congress is the conclusion that can be drawn from all the attempts to tack riders onto the bills. Bucking the usual trend, the Chamber of Representatives was more serious this term than was the Senate, a fact that signifies a glimmer of hope for politicians in Colombia. This is the body that underwent the most changes as a result of the March elections. Even more significantly, it is a well-known fact that the senators of the future are the representatives now in office. Hopefully, after four years of parliamentary labors, the "junior members" will not end up resembling the "Old Guard"!

Serrano's Performance as CNP Chief Praised

95CA0282A Santa Fe de Bogota EL ESPECTADOR in Spanish 16 Jun 95 pp 2, 4A

[Commentary by Maria Jimena Duzan: "General Serrano's Miracle"]

[FBIS Translated Text] The "overhauling" of the Police as an institution has perhaps been one of the most important consequences of the capture of Gilberto Rodriguez Orejuela. Credit must go to General Serrano, one of those characters who come along once in a blue moon and who, when they come to occupy a post as sensitive and controversial as the General Police Directorate, soon succeed in changing many of the anomalies that can become inflamed in such a controversial institution.

Less than a year ago, the situation of the National Police [CNP] was so difficult that the Force was threatened with disappearance. Hit by corruption—mainly as the result of the high cost the institution was forced to bear in order to wage the unrelenting fight against Pablo Escobar, causing many of its officials to fall naively into the hands of the Cali cartel—the Police were an entity without a hierarchy or a rudder.

Many analysts came to believe that the best thing to do with the Police was to get rid of the institution so as to be able to create another from the ground up. The situation had reached such a point that it was observed that the reform passed—but never implemented—by the Gaviria Administration was inadequate and fell short. Nevertheless, when General Serrano arrived on the scene with his spotless record and determination to restore the Police's credibility vis-a-vis society, a change occurred.

His presence raised the morale of an institution which had lost and then gradually regained its credibility as an institution in the fight against drug trafficking. Thus it was that reliable channels were established with the DEA and even the CIA—the agency that traditionally works with the armies of other countries, but only rarely with the Police. It plunged into the task of eradicating the illegal crops, confronting continuous attacks by the guerrillas while beefing up the intelligence of the Cali Joint Task Force. Judging by the results, the latter has had more success than the Task Force headed by the Army. It was the Police that found and captured the first [Rodriguez] Orejuela and that caught Gilberto Rodriguez as well.

In this context, the ratio of forces between the Police and Army has obviously changed for the first time. The Police now play the leading role, after traditionally serving as the Defense Ministry's Cinderella. It takes the lead ahead of an Army that has not been able to demonstrate the same effectiveness in the fight against drug trafficking—or against terrorism, its prime front. As for drug trafficking, it should be remembered that it was the Army that let Pablo Escobar get away, and however hard it tried, it could not overtake the Police, which headed up the operation that brought down Escobar. In the fight against terrorism, its accomplishments have been few and cannot be compared with the substantial effort the government has made to increase its budget. Operationally speaking, the Police have proven to be more flexible than the Army itself. All 12 of the Police helicopters are operating, while the Army's, although superior in number, are not.

Its energies apparently focus more on the defense of its military domain than on developing effective, reliable intelligence enabling it to be truly effective. It is one thing for the government to develop a peace policy, and something quite different for the Army to abandon its objectives, particularly when it has been clearly stated that negotiating does not mean the Army has to remain immobile, in its barracks, awaiting a response from the guerrillas. The situation has reached such an extreme that the minister of defense himself issued a reprimand and demanded that it produce results.

The Police are obviously far from resolving their problems; but if it is true that the institution can begin to solve them, it will be with a man possessing the qualities of General Serrano: simple, a team player, a good Santanderian, for whom wearing the Police uniform is the best thing that happened to him in his life!

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Commentator Assesses Social Pact

95CA0273B Santa Fe de Bogota EL ESPECTADOR in Spanish 11 Jun 95 p 2B

[Article by Eduardo Sarmiento Palacio: "Adjustments in the Social Pact"]

[Text] I predicted in March that the inflation goal of 18 percent would not be met and in April, recommended modifying it. Locking onto a figure that is not more credible has diminished the soundness of the Social Pact and of economic policy in general.

Failing to reach the goal set for inflation is the responsibility of monetary officials. In accordance with the law governing the Bank of the Republic, the institution set the figure of 18 percent irrespective of economic conditions and without knowing the commitments of the Social Pact. As one can easily imagine, the negotiations resulted in a higher figure.

The minimum wage was thus adjusted by 20.5 percent, a figure that basically represents the credible goal of the Pact. Furthermore, its members avoided making it explicit so as to avoid an open confrontation with the Bank of the Republic.

Within this context, inflation has been reasonable to date. So far this year, the gain compared with last year is over 1 point.

If the trend continues, inflation will be around 20 percent by the end of ths year.

Even so, one cannot ignore the fact that after the progress made in the early months of the year, the Social Pact reveals clear symptoms of weakening that darken the picture. It has left itself totally defenseless in order to avoid open violations of the goals.

It is difficult to understand why the government failed to impose price controls in order to keep adjustments for paper and drugs in line. Nor was there any reason for the most recent adjustment in the price of gasoline. It does not provide greater benefits and, on the contrary, was used as an excuse to raise certain transportation rates.

Without question, the greatest handicap is the lack of coordination between the Bank of the Republic and the government. The Social Pact was adopted within the context of a diagnosis of inertial inflation and as a way to moderate and coordinate price adjustments. Nevertheless, the Bank of the Republic deviated from this vision totally, committing itself to a strict monetary restriction that only makes sense based on a diagnosis of demand inflation. Obviously, the two plans short-circuited. High interest rates have helped accentuate inertial factors of inflation and break the discipline and coherence of the Pact. The owner of a dwelling or bus cannot be asked to raise the lease price or fares by 18 percent when he has to pay more than double the interest for credits. What is even more serious is that the "remedy" did serious damage to the production apparatus that threatens to plunge the economy into a recession.

The accelerated deterioration in economic activity indicators has discredited the policy of high interest rates, resulting in a total withdrawal of public opinion support. The Central Bank board has no other option than to admit its mistake and proceed to put controls in place as soon as possible.

Despite all the institutional difficulties, the Social Pact appears to be the best way to reduce inflation. And yet, the effectiveness of the instrument, now and in the future, depends on its ability to regain its credibility in terms of channeling prices. The first step in that direction would consist in replacing the current goal with a range of 18 to 20 percent, while introducing all the necessary compensations. Finally, discussions should begin immediately on applying the Pact next year and, in particular, on its capacity to achieve more ambitious results.

Central Bank Directors on Economic Issues

95CA0272A Santa Fe de Bogota EL TIEMPO in Spanish 12 Jun 95 pp 1, 6B

[FBIS Translated Text] If the country goes on thinking about a recession, it will indeed have one!

There is no reason to believe that the Colombian economy is in a recessive period, particularly when the basic condition has clearly not been met: that the economy experience negative growth for a full six-month period.

Three of the seven Bank of the Republic board members argue that the economy's problem is public spending and that the solution is in the hands of the finance minister.

If the government continues to write checks at the rate it did for the first five months of the year, it will not be able to reduce interest rates, nor will it be easy to meet the goal set for inflation. What is worse, production may be cut back even further.

If excessive spending continues, not even government control of interest rates will help. Only when structural problems relating to fiscal policy have been solved will it be possible to broach the subject of controlling interest rates.

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As a result of uncontrolled municipal and departmental spending—a factor of which the Central Government is aware—it is no longer possible to meet the initial goal of achieving savings in the public sector amounting to .7 percent of the gross domestic product.

How deep will the cuts have to be? The Central Government must eliminate at least 350 billion pesos (.5 point of the GDP), and some board members think a surplus of 840 billion pesos (1.2 percent of the GDP) must first be achieved.

EL TIEMPO spoke with Bank of the Republic manager Miguel Urrutia Montoya and co-directors Maria Mercedes Cuellar de Martinez and Hernando Jose Gomez about the country's economic problems. The following are their replies:

[EL TIEMPO] Are interest rates actually going to drop?

[Answer] We believe that with the monetary situation as it is, rates will go down. For example, we have managed to keep the interbank rate right around 20 percent. However, we want to make it clear that we have nothing to gain by fostering an artificial reduction in interest rates. If the government does not reduce spending, we shall have no room to lower them.

[EL TIEMPO] Do you favor government control of interest rates?

[Answer] Such control would be limited, but it would be a useful sign. And yet, if nothing is done about the underlying causes, the situation will be out of balance in three months. The fundamental problem must be remedied, i.e., we must reduce public spending. At a given point in time, such a sign may be useful, but the economy is not "heating up" enough.

There are differing views on this. The last time we imposed controls on interest rates (May 1992), the signal was given, interest rates dropped, and those rates stayed down because the situation was inherently sound.

What does not make sense is to do so without correcting the rest of the economic variables.

[Question] Is the growth of the delinquent sector a matter of concern?

[Answer] It has grown substantially, but remains at perfectly manageable levels. In other words, there is no problem. Furthermore, it is very likely that, to the extent that the economy has slowed down somewhat because of high interest rates, the delinquent sector will continue to improve.

[Question] The government has serious problems on the fiscal front because municipal governments are spending more than they should. Is it true that regional spending may mean an additional fiscal deficit of 1 percent?

[Answer] At least .5 percent.

We obviously have a fundamental problem. The government will have to compensate for it because it made a commitment to us.

The fiscal element is autonomous in the government. What one has to understand is that if municipal and departmental spending shoot up, it is not the fault of the Central Government.

However, if the Central Government does not make adjustments, it will end up squeezing the private sector.

The economy has three sectors, comprised of the departments and municipalities, the Central Government, and the private sector, meaning that if one of them gets out of balance, someone will have to foot the bill.

[Question] Given such an imbalance, have you considered the possibility that the Constitutional Court may force the government to transfer the resources it received for the cellular telephone adjudication to the municipalities?

[Answer] No. Such a possibility would make things even more difficult.

[Question] The government has committed itself to public investment and social spending, but without tightening its belt. Would the government have to sacrifice part of what it promised?

[Answer] People must understand that the government has problems and that it is not easy to reduce spending. That is precisely what we discussed last Tuesday at Narino Palace.

The minister of finance explained that spending in the early months shot up because reserves from the previous year can now be spent automatically.

They ended up doing exactly what Hommes did last year, i.e., spend as much as possible in the early months.

However, the government understands perfectly well that it must engage in maximum belt tightening.

They had planned to increase spending 15 percent in real terms, three times more than the best growth anticipated for the economy. That will not be possible.

[Question] Which cuts would satisfy you?

[Answer] A minimum half point of the GDP, i.e., some 350 billion pesos. We would consider anything over that.

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Nevertheless, the government is autonomous with respect to public spending. We can only make suggestions.

Some of us even believe it would be necessary to do more spending, at least 1.2 percent of the GDP.

[Question] What did you recommend to the government and what did the government ask of the board?

[Answer] In a word, nothing.

It was a friendly conversation in which we saw the precise problem of municipal spending, and the conclusion was very clear: If the municipal debt is growing at a rate of 170 percent, who can be surprised when rates go up?

The government said it would revise its figures in order to proceed with a possible cut. That was it.

[Question] Is the Social Pact national history?

[Answer] We do not think it is. Our models show that inflation may not be 18 percent, but it will be under 19. This is also so because late last year, we hardened monetary policy substantially, which had an effect six months later. Nevertheless, models can also be wrong.

[Question] Is it not too optimistic to think that we will have a second half of the year with the lowest increase in the cost of living in the past 15 years?

[Answer] We do not look at things that way. We anticipate a 3-point drop in inflation. We are concerned that, psychologically speaking, a 3-percent drop may be interpreted as a failure, when in all actuality, it is a good result.

[Question] What are the good and bad points of the Tax Reform?

[Answer] The good thing is that it fills the holes.

The bad thing is that it leaves the 37-percent income tax in place. This is an absurdity which discourages saving.

In general terms, a tax reform that reduces spending is very good. For example, the VAT is good, as is the elimination of exceptions.

There is one problem, however: The public sector is growing too fast, which indicates that the private sector must get smaller, which is harmful to the economy.

[Question] What would be the ideal level of public spending?

[Answer] That is a very complex question. To give you an example, contemporary thinking holds that it is necessary to have an infrastructure, education and health. No development is possible without these basic aspects. What is important in this case is how wisely the money is spent.

For example, spending on education is not properly channeled. Last year, 73 law schools were set up in Colombia. For every 100,000 inhabitants, there are nearly 100 attorneys. The average in any other country in the world is 3!

[Question] You introduced the new model of the monetary authority as an independent, autonomous entity. Do you like this idea? Are modifications needed?

[Answer] We believe the plan has been a success. We have managed to remain independent vis-a-vis the Executive Branch, and the goal of lowering inflation has been met. It is a good thing for the government to hear our criticisms about how to manage spending. We shall do all we can until they get rid of us!

[Question] There is currently great uncertainty in the economy and some are even talking of a recession. Are we truly in a recession?

[Answer] No. The economy is doing well, but we believe that if we continue to talk about a recession, we shall have one!

Measures To Address Economic Ills Suggested

95CA0273A Santa Fe de Bogota EL ESPECTADOR in Spanish 11 Jun 95 p 2B

[Article by Eduardo Lora, director of Fedesarrollo [Federation for Development]: "Signs of a Crisis: What To Do and What Not To Do"]

[FBIS Translated Text] Economic officials admitted this week that the economic situation has deteriorated, resulting in their decision to put together a package of measures to be announced in a few weeks.

Symptoms

The symptoms were obvious:

1—Interest rates climbed to the highest real levels the country has seen in many years.

2—Real estate sales plummeted and many investors suffered heavy losses.

3—The investment climate worsened, returning to negative levels not seen since 1992.

4—The level of industrial orders plunged to a point not reached since the months of greatest uncertainty at the beginning of the economic liberalization [apertura] in 1991.

5—In the opinion of industrialists, the economic situation also fell to levels not seen since the end of 1991.

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Fears

Given this combination of negative forces, there were well-founded fears that the following evils would occur:

1) a rapid deterioration in the quality of the portfolio and the soundness of the financial system;

2) an increase in the rate of unemployment, mainly resulting from the construction slump;

3) a possible drop in the productive activity of industrial sectors;

4) the collapse of private investment, seriously compromising future economic growth; and

5) a decline in tax revenue, reflecting the drop in productive activity and the declining income of certain groups of taxpayers.

Diagnosis

This entire situation pointed up the conflict between the inflation goal of 18 percent and the government's plan to increase public spending and ensure high economic growth rates in 1995.

As a result of this conflict, a combination of policies was adopted that was excessively austere on the monetary front and too lenient on the fiscal front.

The threat of tax reform further complicated the situation, undermining the climate of confidence once and for all.

What To Do

The list of things to be done is simple, but it could become complicated if time is allowed to slip away.

1) simplify tax reform and speed up its acceptance in political and business circles;

2) cut public spending sharply. The 330-billion-peso cut mentioned is a minimum.

3) limit municipal indebtedness, which accounts for part of the accelerated growth in public spending;

4) step up cautious vigilance vis-a-vis the financial system (as has effectively been done); and

5) beef up the tax and customs administration in order to prevent any drop in tax revenue.

What Not To Do

Times of crisis can foster serious errors. The following is a list of temptations to which economic officials must not fall prey:

1) trying to save the Social Pact through stricter price controls or other similar subterfuges. On this subject, Fedesarrollo has never said the Pact must be scuttled. Rather, what it has said is that artificial means should not be used to save it.

2) raising import tariffs or using other mechanisms to protect against outside competition;

3) granting subsidies to the hardest hit sectors or negotiating aid on a case-by-case basis;

4) trying to avoid a drop in overall demand or an increase in unemployment through even higher levels of public spending;

5) attempting to reach the inflation goal of 18 percent via a new reappraisal of the real rate of exchange; and

6) controlling interest rates too soon.

Controls must not be ruled out, but their use must be left as a last resort after other measures have been taken.

Recent Action on Interest Rates Discussed

95CA0293A Santa Fe de Bogota SEMANA in Spanish 27 Jul 95 pp 50-51

[FBIS Translated Text] At 1300 hours last Friday, President Ernesto Samper received a call for which he had been waiting all morning. It was from Finance Minister Guillermo Perry, informing him that the Bank of the Republic's Board of Directors had decided to take control of interest rates and place a limit on them. The head of state did not conceal his pleasure but, in an ironic tone, remarked that he would have liked the limit imposed by the Board on those rates to be lower. On the other hand, he made no special comment on the government's pledge to reduce the state's spending budget by 550 billion pesos. In contrast to this, a few blocks away, at the National Planning headquarters, the technicians were beginning to make counts, aimed at cutting several of the administration's priority programs.

Oddly enough, it was the uproar caused by those measures that ended the row of the previous days, which had risen in a crescendo, as a result of the increasingly obvious differences between the six independent members of the Bank's Board of Directors and the finance minister, who serves as its chairman, regarding the economic policy issue.

The debate had become heated owing to the grievances of the private sector which, after a very good first quarter in terms of growth, started complaining loudly about the devastation being caused by the interest rates policy. According to some analyses, inflation's reluctance to decline and the high growth rate of government spending had been serving as an argument for the Board to deprive the economy of liquidity. As a

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result, the cost of money had, in some instances, risen to levels of nearly 50 percent annually: over 25 points above inflation.

In view of that diagnosis, the government had requested that the Board ease up on the brakes; but the latter stood firm and would not budge. Much of the debate occurred on the pages of newspapers; hence, the atmosphere became tense, and neither side seemed willing to yield. Everything remained controversial until the Fedesarrollo [Federation for Development] poll of business owners revealed that a slowdown was already occurring in the productive sector's sales because of the high costs of credit. Assuming the risk of a recession was too serious; therefore, President Samper invited the Board members to a luncheon at Narino House, where it was agreed that the government would make a reduction, and that the Bank would take action on rates. Thus, on Friday, 16 June, Perry arrived at the Board with a proposal similar to the one approved the previous week.

What was done on Friday was to set a limit of 39.5 percent for bank loans, and of 41.5 percent for the other credit establishments, during a two-month period. Besides making the cut in spending, the government promised to redesign its strategy for placement of treasury bonds (TES) on the internal financial market for the second half: From 650 billion, the figure will decline to a maximum of 90 billion, thereby clearing the way to accommodate the private debt.

All those decisions should help to moderate the cost of money, and enable to productive sector to acquire more breathing capacity. Nevertheless, Javier Fernandez Riva, chairman of the National Association of Financial Institutions (ANIF), told SEMANA that the problem is that "the cut will have an effect on investment, and that could hurt the economy."

Central to the Board's decision is the statement that the government has been issuing checks too quickly, just as the last administration did. Pedro Nel Ospina, a Fedesarrollo researcher, claims: "We in Colombia are growing at the expense of the government's growth, but it so happens that one point of investment in the private sector is more important than one of spending in the public sector. And the former is not occurring."

The argument that public spending is proceeding too fast is supported by the figures. According to a study made by Senator Juan Camilo Restrepo, the total expenditures rose from representing 11 percent of the gross domestic product in 1990 to accounting for 22 percent in 1994. And, according to the present government's Development Plan, the total public spending (of the central government sector) would account for 34 percent in 1998. The worst part of it is that, according to the Conservative senator, "public spending is growing increasingly fast." Between 1991 and 1994, that of the central government increased by 13 real points (above inflation); whereas, between 1995 and 1998, an increase of 17 real points has been anticipated.

According to the government, what has occurred is the result of three factors: the obligations imposed by the new Constitution for giving the regions more money, without being accompanied by an equivalent transfer of responsibilities; the costs associated with the new social security system; and a very severe budgetary lag, the reduction of which is being attempted.

This is combined with another concern: achieving a fiscal surplus of at least 0.7 percent of the GDP. This is not easy, because coffee and oil prices have declined, and the approval of the tax reform has been postponed. Moreover, if the Constitutional Court says that the money obtained based on cellular telephony must be issued to the municipalities, the state will lose 400 billion. All this could leave a large gap in finances and, as Pedro Nel Ospina remarks: "Before the crisis in Mexico, a deficit of 0.5 percent of the GDP was not serious; but now, everyone knows that it can have deplorable consequences for the economy."

But, without going so far, it may be claimed that last week's decisions made several things clear. The first is that, regardless of how much fighting there might be, what occurred confirms the feasibility of having an independent monetary authority. It was this factor that made it possible, while limits were placed on rates, for the government also to be convinced that it needed to tighten its belt. Ultimately, both the Central Bank and the Executive Branch reached the conclusion that cooperation brings more results than confrontation.

It was this spirit of settlement that prompted the administration to show humility and yield in its aspirations for spending, even if it meant sacrificing some of the goals of the development plan. And, although that is displeasing to many, it proves that the government is not immune to the complaints of the private sector, whose good health is also a key factor in the performance of production and employment. Now, all that remains is to hope that the results become quickly visible, and that the government and the Central Bank bury the war hatchet for a long time. As Guillermo Perry commented last Friday, recalling a quotation from Shakespeare: "All's well that ends well."

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Further Action To Lower Interest Rates

95CA90292A Santa Fe de Bogota EL TIEMPO in Spanish 24 Jun 95 p 1, 4B

[FBIS Translated Text] *The Central Government has pledged to reduce spending by 450 billion and will ask the regions to cut another 100 billion. The Bank of the Republic says there is money in the market.* Following three weeks of intense negotiations, the Bank of the Republic board of directors and the government have decided to order a reduction in interest rates. Starting Tuesday, the cost of borrowing money, which for several months has hovered around 50 percent annually for loans, may not exceed 39.5 percent on all credits approved by banks. For other institutions, the rate will be 41.5 percent. In order to give the order consistency, the government has pledged to make another cut in public spending of 550 billion pesos, sacrificing part of the Social Leap for the time being. By so doing, the Bank of the Republic provides the financial market with greater liquidity. Finance Minister Guillermo Perry says the measure was taken because it was the only quick way to reduce interest rates. As a result of the commitment made by the Bank and the government, a drop in interest rates could be expected, but the process would take at least six weeks (a month and a half). Nor was it likely that they would drop by 10 points. Perry emphasized that he has never favored controlling interest rates, but said the measure became unavoidable because of the current circumstances. He added that it was easy for the Bank to accept the government's proposal because of the magnitude of the cut in spending. "This decision eliminates the uncertainty that existed in almost all financial circles because of problems generated by the high cost of money," Perry said. It is the second cut made by the Executive Branch and comes on the heels of a 300-billion cut early this year. The total cut will now be 850 billion pesos. The minister told EL TIEMPO that cuts would be made in all areas of public spending, but admitted that investments will suffer the most. He revealed that a package of measures has been prepared and is being analyzed by experts from the ministry and the National Planning Department. The cuts will be presented to the Cabinet next week. For its part, the Central Bank will redeem OMAS and pledges to cut back on programs to take in money through such official paper in the months ahead. The financial sector is thus guaranteed of having more resources available for the private sector. In the weeks ahead, the Bank of the Republic will pay out over 200 billion pesos when securities mature, but the Bank will no longer issue such paper at the rate it has in the past.

Measures

Effective 27 June, new loans made by banks must carry a weighted interest rate of 39.5 percent. The limit set for other financial institutions will be 41.5 percent. The average is currently 47.5 percent. Based on a decision by the Central Bank, which pledged to provide liquidity so that the supply of money would remain around centers of money brokers, effective 27 June, the maximum interest rate paid on securities in the Bank of the Republic will be 30 percent annually for terms of 90, 180 and 360 days. The finance minister said the measures are aimed at speeding up downward controls and reducing middleman costs. He admitted that rates were not dropping because of the anticipated indebtedness of the Central Government, among other factors. Concerning the Central Government's cut of 450 billion, he said it is a "substantial sacrifice" that will mean postponing certain National Development Plan programs. Public institutions will be asked to cut another 100 billion pesos. The National Government will ask municipalities and departments to adjust their budgets so as to reduce the pressure of public spending. The nation's president will personally send a letter to regional officials asking them to contribute to the effort. The minister explained that in order to achieve this objective, cuts will be made in the program to sell TES's, which would be negotiated by auction during the second half of the year. Initially, some 650 billion pesos worth were to be sold, but that figure will be reduced to somewhere between 80 and 90 million. Perry ruled out the possibility of any sudden rise in the demand for credits in response to the measure. However, he did stress that the market will have the resources the productive sector needs. The government also announced that it will promote the bill now on its way through Congress aimed at limiting the amount departments and municipalities may owe the financial sector. For his part, Bank of the Republic Manager Miguel Urrutia said the market does have liquidity and that during the period from 31 March to 23 June alone, over 500 billion pesos were released. The manager of the Central Bank explained that the OMAS balance went from 1.394 million to 881 million, a drop of 513 million. Urrutia said the market is beginning to show positive signs. As an example, he said the interbank rate is already dropping.

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Reactions to Measures To Cut Interest Rates

95CA90292B Santa Fe de Bogota EL TIEMPO in Spanish 24 Jun 95 p 1, 4B

[Business and banking sector representatives comment on recent measures to reduce interest rates and government spending]

[FBIS Translated Text] — Cesar Gonzalez, president of Asobancaria [Bankers Association]: "What is most important is the cut in spending and the correction of monetary policy by the board. The board recognizes that it must be more lenient with respect to growth in means of payment. "Means of payment needed an additional 450 billion to be in the center of the monetary brokers. They agreed that the adjustment was excessive. "The effort to cut the budget is well-known, but the most important thing for rates is the cut in TES issuances on the market. "The package of measures is well-placed and can generate expectations that are somewhat more stable. "Intervention regarding rates in any form is a tragedy for the financial system. We believe that the markets would have made the adjustment. "What is most important is the fact that the fundamental issue is being resolved." Javier Fernandez Riva, president of the National Association of Financial Institutions (ANIF): "I would say that the government's decision to implement a credible program to cut spending is a positive thing. The figure of 550 Th)Tbillion is a significant sum. "I believe that controlling rates is a temporary thing indicating that the board is willing to take the measures it must to achieve stabilization. "I do not believe the economy should be handled by means of controls. "I am very troubled by the fact that the Central Bank set the rate at 30 percent. I do not understand why it chose such a low figure. This will hurt financial institutions and not benefit customers. "Furthermore, I believe it would be fatal to prolong the measure for over two months. Such a long period will do enormous damage to the financial sector because some institutions were taking in 35 or 36 percent for a period of six months or one year." Sabas Pretelt de la Vega, president of the National Federation of Merchants: "I believe that setting an effective ceiling of 39.5 percent annually for banks is indeed a positive thing. "It is nevertheless unfortunate that such a control had to be ordered into place. I would have preferred to control interest rates by adopting such measures as reducing the banks' cash reserves. "Whatever the case, I believe the Bank of the Republic board should reduce cash reserves from fixed-term deposits. "At the present time, the cash reserves needed to attract funds via CDT's are 10 percent. This level has made it substantially more expensive for financial institutions to obtain resources." Cesar de Hart, president of SAC [Association of Colombian Farmers]: "That is very good news. Any effort in that direction is welcome because the productive sector could not take any more. Th)T "Such high interest rates made it very difficult to compete and produce efficiently. "Even though the rates remain high, this is a relief for the country's producers, who were already beginning to see signs of uncertainty." Alberto Vasquez Restrepo, president of the Colombian Construction Board (CAMACOL): "This is a relief for all Colombians, particularly the industrial sector," CAMACOL President Alberto Vasquez said. Vasquez observed that the measure will effectively revive the sector and benefit all users of the UPAC [constant purchasing power unit] system, in that it will lead to a drop in the monetary correction. "We hope it will be the beginning of a process leading to even lower rates if macroeconomic conditions so permit." Guillermo Gomez Estrada, president of the Colombian Savings and Housing Institute (ICAV): "I believe that government control is one way of anticipating the drop in rates that should occur as a result of the agreement reached between the board and the bank. "In other words, if the government makes the cut it promised and the bank is somewhat more lenient in its monetary policy, rates should drop. "Furthermore, when the measure is lifted in September, if spending and liquidity variables remain at suitable levels, rates will stay low. "The drop in rates will have a highly positive impact on housing loans. Furthermore, any significant slump in the construction sector is unlikely."

Stock Brokers

The measures approved by the Bank of the Republic board in its effort to reduce interest rates were received optimistically by brokers. Th)T Brokers consulted by ACCESO (EL TIEMPO's real-time information system) observed that the implementation of measures aimed at achieving a reduction in interest rates will revive the stock market. Such a measure will enable the economy to maintain a high level of growth during the year and improve the financial situation of companies quoted on the exchange.

Ecuador

Emetel Privatization Options Discussed

95SM0412A Guayaquil EL UNIVERSO (MUNDO ECONOMICO) in Spanish 27 Jun 95 p 1

[Article: "Options For Privatizing Emetel"]

[FBIS Translated Text] The transformation of the State Telecommunications Enterprise [Emetel] into an efficient institution, so that the change does not represent a mere passage from a state monopoly to a private one, is

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the objective that the national government is currently pursuing.

In this context, observers propose alternatives that agree on privatization as the most appropriate option to make the enterprise lean and competitive, but see different ways to achieve it.

The Corporation

First, there is the position of the College of Electrical and Electronic Engineers of Ecuador [CIEEE], which favors the enterprise becoming a corporation, because as it now stands, it is not subject to control but rather to the whims and fancies of the government of the moment, says CIEEE President Jose Pileggi.

The CIEEE proposes the sale of 30 percent of the shares, "not to one, but to two or three concessionaires, who would operate the system in the various regions of the country, which would guarantee good service"; and of 10 percent to the workers, because it is an idea that has already worked well in other Latin American countries, such as Venezuela and Peru.

Pileggi also points out the need for a Superintendency of Telecommunications, which would be the entity that would set the standards for the sector and grant the concessions that are in the state's possession, nationwide and for the entire radio-electric spectrum.

The Superintendency must also be an autonomous agency, staffed by a collegial body that represents all the areas of the economy, such as the CIEEE, the various economic chambers, and of course the government, all of which would advise the Superintendency in making decisions.

Pileggi also recommends the creation of a National Secretariat of Telecommunications, which would be responsible for regulating the system.

Covering the Telephone Deficit

The importance of privatizing the previously mentioned percentages lies in filling the need for telephone lines, estimated at one million, as soon as possible, in view of the state's lack of resources to pay for them.

In addition, there is the extremely low telephone density (lines per inhabitant), which is a mere five percent, making us one of the Latin American countries with the lowest density, when we should be at about 15 to 20 percent. The situation is even worse, when one considers that the existing lines are controlled by the commercial and industrial sectors, thereby reducing the real average telephonic density of Ecuador to three percent.

This entire proposal has been presented to Congress.

A Temporary Monopoly

According to Engineer Marcelo Lopez Arjona, who was general manager of the Ecuadoran Telecommunications Institute [Ietel] from January 1990 to August 1992, before subjecting the enterprise to competition, it should first be strengthened by turning it into a temporary monopoly.

Lopez says that, as it has been determined that the enterprise cannot become efficient under the present system, the way to develop the flexibility that changing technology requires is to operate it under commercial law, and to accomplish this there is no better way than to make room for private initiative.

The formula that must be developed is to create "an enterprise that is not subject to the decisions of other organizations and innumerable bureaucrats in order to acquire equipment and new technology, because this obviously is a business and it must go forward."

Lopez is not in favor of dividing the administration of telecommunications among three or more companies, because in his view administrative and legal faculties must be provided to a single firm in order to strengthen Emetel during a short period, granting it monopoly rights.

This sole company would thus be able to acquire and accumulate experience in the sector, invest in technology, and finally be ready to face competition.

Lopez also emphasized the importance of requiring a new administrator, before his selection, to present an acceptable schedule of fees, because a new system should not be burdensome to users.

As for worker participation in share ownership, Lopez believed this to be positive, because this would enable workers to participate in the process, and the new proprietors would benefit by the experience accumulated during their years of service.

Lopez pointed out that this procedure is followed in many firms, where executives must take the views of their employees into account, in order to make decisions that are adapted to their needs, and motivating employees to grow.

Finally, he could not conceive of supervision other than by the state, because, in the final analysis, the state represents all citizens.

[Box, p 1]

"Politicization Prevents Improving Service:" Flores

Telecommunications service in Ecuador must be privatized, maintained Sergio Flores Macias, general man-

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ager of Emetel, who argued that service cannot be improved because it is part of the political spoils system. "This is nothing new, nor is it new with this government, but has been a problem in all administrations, and it exists in all countries where the state administers the service."

As to how the process of privatization is faring, Flores said that there is a commitment to work with the law.

"At present," said Flores, "the Social Christian proposal is under study, which provides for the sale of 35 percent of the shares to an international operator, which would control management, 10 percent for the workers, and the remaining 55 percent to remain in the state's possession."

Flores pointed out that the operator will have control of management, with four out of seven members of the board, which would prevent the politicization of the enterprise.

As for avoiding the creation of a private monopoly in place of a public one, Flores said that the plan would make possible the division of the telecommunications enterprise into two parts. The concession for local, national and international telephone service would be for five years, and would then be open to competition. During the five-year period, the enterprise would set its rates, Flores added.

Despite the privatization study, many observers do not believe that the process will be completed during this government. In this connection, Flores said that "if it can be concluded, fine. If not, well, we are working for the good of the country, we want to move forward, and it is now up to others to make the process go forward."

As for the appraisal of the telecommunications enterprise, Flores disclosed that a firm selected by international competition will perform an appraisal of the enterprise in operation, within eight to 10 months.

Paraguay

Court Confirms Extradition of Lebanese to Argentina

PY0707132295 Asuncion ABC COLOR in Spanish 7 Jul 95 p 60

[FBIS Translated Text] The Lebanese citizens who were arrested in our country must be handed over to the Argentine courts. The First Chamber of the Appeals Court confirmed, on 6 July, the sentence by Judge Jose Emilio Yaluk, who ordered the extradition of the foreigners, currently being held in Tacumbu Prison. Three of the seven Lebanese were involved in the attack against the Israeli Embassy in Argentina in March 1992.

Lawyer Jorge Galli had requested, through an appeal, that the sentence ordering the extradition of the Lebanese to Argentina be invalidated. On 6 July, the Appeals Court decided not to grant the request submitted by the defense lawyer of two of the foreigners.

Judges Cristobal Sanchez, Damian Perez Azcona, and Arnaldo Alvarez maintain that Judge Yaluk's sentence does not contain flaws or procedural defects and that it does not violate the formalities of the law. They also state that the sentence does not contain any errors whereby it would be possible, through the express disposition of the law, to annul the court proceedings.

"The demands of the Treaty of Montevideo (regarding extradition) have been complied with," the magistrates state.

Regarding the appeal, the magistrates state that the lawyer did not make provision for litigation, and that he only referred to the annulment question. "Therefore, it is appropriate to declare that the appeal is void, and thus the sentence handed down by Judge Yaluk is now confirmed," the magistrates stated.

Taking into account the court's decision, Mohamed Hassan Alayan, Roberto Riveiro Ruiz, Johnny Moraes Baalbaky, Luis Alberto Nader, Sergio Rodrigo Salem, Fadi Karim Chekair, and Brazilian Valdirene Vieira Ferguglia [names as published] must be handed over to the Argentine courts. The foreigners are wanted in the neighboring country for the crimes of smuggling and the purchase of explosives, and they have also been accused of belonging to an Arab terrorist organization.

Baalbaky, Salem, and Nader are suspected of having participated in the attack against the Israeli Embassy in Buenos Aires, in which some 30 persons died.

Courts sources have reported that the Lebanese could submit a writ of unconstitutionality to the Supreme Court.

Peru

Fujimori 'Flatly Dismisses' Meeting Ecuador's Duran-Ballen

PY0707154695 Lima America Television Network in Spanish 1100 GMT 7 Jul 95

[FBIS Translated Excerpt] President Alberto Fujimori flatly dismisses the idea of discussing the border dispute with Ecuadoran President Sixto Duran—Ballen in Buenos Aires where the two presidents will attend the inauguration of Argentine President Carlos Saul Menem.

Today President Fujimori visited Huanuco where he dedicated a modern prison.

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Shortly before leaving for Buenos Aires, Argentina, President Fujimori visited Huanuco accompanied by the supreme court president, the attorney general, the justice minister, and the Cuban and Mexican ambassadors.

The purpose of the meeting was to dedicate the modern Huanuco prison, on the outskirts of this town. [passage omitted]

The chief of state dismissed any form of dialogue with Ecuadoran President Sixto Duran-Ballen during their visits to Carlos Saul Menem's inauguration in Buenos Aires in a few days time.

[Begin recording] [Fujimori] I dismiss the possibility of dialogue because the negotiations are being held at the corresponding level, that is, by the deputy foreign ministers and with the participation of the guarantor countries.

[Unidentified reporter] Not even an informal meeting?

[Fujimori] No, not even informally. I dismiss this possibility because we believe progress must be made at the levels established by the Itamaraty Peace Agreement.

[Reporter] Considering the Ecuadoran president has announced he would seek a dialogue with you in Buenos Aires, could this be interpreted that the Peruvian Government is now unwilling to hold a dialogue with him?

[Fujimori] No. There has been no preliminary meeting for an official dialogue between the two presidents to be successful. Naturally, there could be meetings if the Ecuadoran president allows it. [end recording]

'Main Liaison' in Colombian Drug Trafficking Captured

PY0807001095 Madrid EFE in Spanish 1931 GMT 7 Jul 95

[FBIS Translated Text] Lima, 7 Jul (EFE) — Peruvian police sources reported today that Colombian citizen Adalmid Moreno, the main liaison between the Cali cartel and the Peruvian drug trafficking gangs, has been arrested in Peru.

Moreno, who is considered the "ambassador" of the Colombian cartel, was arrested on 6 July in the northeastern Peruvian city of Iquitos, in an operation carried out by Dinandro [National Antidrug Directorate] and intelligence services.

Moreno, who is also known as "Negro Palenque," was transferred yesterday to Lima in a DEA airplane along with three other alleged Peruvian drug traffickers who were with Moreno.

They have been identified as civilian pilot Eleazar Pinedo Lozano, Maria Teresa Cardenas Reategui, and Samuel Portugal Pereyra.

According to a Dinandro source, Moreno was detained as he was hiding in a house in downtown Iquitos, where he was getting ready to go to Colombia.

The same source said that Moreno is wanted by a court of the Peruvian Huanuco Department on charges of drug trafficking.

It is believed, however, that Moreno will be handed over to Colombian officials, in the same way Colombia handed over to Peru drug trafficker Abelardo Cachique last June, after he was captured in Santa Fe de Bogota.

It is possible that there will be "some delay" in handing Moreno over to Colombia, in order to allow Dinandro agents to interrogate him and get some important information on his activities in Peru.

Adalmid Moreno was the main representative of the Cali cartel in Peru. He financed the shipment of the cocaine base produced in Peru that was sent to Colombia for making cocaine hydrochloride.

The Dinandro source also disclosed that Moreno was captured thanks to the information provided by Abelardo Cachique, who gave the clues that led police to the house in Iquitos where Moreno was hiding.

The security forces said today that the harsh blows made against drug traffickers in the last few weeks by Colombian and Peruvian officials "have seriously affected the economy of the Shining Path."

General Alfredo Rodriguez, chief of the Huallaga Front forces fighting drug trafficking and terrorism in that jungle valley, said that the situation is so serious for the Shining Path that it has declared itself in a situation of "economic emergency."

Gen. Rodriguez said: "Its members have reported to its Central Committee that they are in crisis, and that they no longer get money to buy food, clothing, ammunition, weapons, medicine, and communication equipment."

Gen. Rodriguez said that the current strategy against the subversive groups is to prevent them from getting money from drug trafficking by exerting a strict control of drug producers.

Gen. Rodriguez said that it is not known how much money the Shining Path gets from drug traffickers, but added: "It is believed they get about 40 percent of the drug sales in exchange for protecting the shipments to Colombia."

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